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Deng Says 'Patriots' Will Run Hong Kong

Compiled by Our Staff From Dispatches

BEIJING — Deng Xiaoping, the Chinese leader, has been quoted as saying that Hong Kong in the future will be run by local Chinese "patriots" who support Beijing's resumption of sovereignty over the British colony.

Hong Kong is scheduled to revert to China after Britain's lease expires in 1997.

"We don't require them all to favor China's socialist system, but only ask them to love the motherland and Hong Kong," the Xinhua news agency on Saturday quoted Mr. Deng as saying.

He said the region "must be administered by Hong Kong residents with patriotic Chinese as the main body. ... Naturally, other people can play roles, too, and foreigners can be invited as advisers."

The report was taken from Monday's issue of the Beijing weekly magazine Outlook and was written from remarks made by China's senior leader at meetings with two Hong Kong delegations in June.

According to Mr. Deng, chairman of the Communist Party's Central Advisory Commission, Hong Kong's socio-economic system will continue, and its laws will remain basically unchanged after China resumes sovereignty.

Mr. Deng said problems during the 13-year transition period should be solved "step by step."

"First, major fluctuations or setbacks must be avoided and the prosperity and stability of Hong Kong maintained. Second, conditions must be created for Hong Kong residents to take over the government smoothly," he said.

Beijing has said Hong Kong will remain a free port and international trading and monetary center, with its own economic relations with other countries.

"Our policies toward Hong Kong will remain unchanged for 50 years, and we mean what we say," Mr. Deng was quoted as telling three members of Hong Kong's Executive Council and a separate group of leading industrialists.

"Our policy for 'two systems in one country' was adopted by the National People's Congress. Some people are worrying whether this policy will change," said Mr. Deng. "I say that it will not change. The core of the matter is whether this policy is correct or not. If it is correct, it will not be changed."

Mr. Deng repeated his May 25 statement that Beijing will station troops in Hong Kong when it becomes a special administrative region of China, but said it will not send officials to help govern the territory.

Beijing apparently decided to publish his remarks in response to a controversy over Mr. Deng's meeting last week with three prominent Hong Kong legislators, whom he refused to recognize as official spokesmen for the colony's 5.5 million residents.

After Mr. Deng's reported remarks were criticized as evidence of Beijing's insensitivity, the Communist press released its version of the meeting, at which Mr. Deng was quoted as saying, "I have no doubt there will be unrest."

But, in the excerpts from Outlook, Mr. Deng reportedly said talk of a breakdown in confidence was premature.

"The contents of the Sino-British talks on the Hong Kong issue have not been disclosed yet," he wrote, "so many Hong Kong residents do not understand the policies of the central government. They will have confidence once they have a full understanding of these policies."

According to a transcript of another meeting Mr. Deng had with Hong Kong businessmen last week, he promised that China would not interfere with the colony's passion for gambling. *(AP, WP)*

United Press International

President Hernán Siles Zuazo of Bolivia, right, with one of the gunmen who held him captive for 10 hours on Saturday.

Bolivia President Held 10 Hours in Coup Attempt

Compiled by Our Staff From Dispatches

LA PAZ — President Hernán Siles Zuazo was kidnapped from the bedroom of Bolivia's presidential palace on Saturday in a bid to trigger a coup, but search teams freed him unharmed 10 hours later after intense negotiations.

"The kidnappers, dressed in civilian clothes, were holding a pistol to his head when we found him, and threatened to kill him," said Jorgé Crespo, foreign affairs undersecretary.

Mr. Crespo said that he and Finance Minister Oscar Bonifaz negotiated for 15 minutes with the kidnappers at the warehouse to gain the president's release. Mr. Siles Zuazo, 70, became Bolivia's first popularly elected president in 18 years when he was installed in 1982, ending military rule.

His six captors, who threatened to blow him up with grenades unless they were granted asylum in a foreign embassy, were given safe passage to the Argentine Embassy.

Another group of suspected kidnappers, apparently the ringleaders, sought refuge in the Venezuelan Embassy. The Interior Ministry said seven were in the embassy, but a Venezuelan government spokesman in Caracas said he believed only five were in the mission.

The Argentine government later said that the six men in its La Paz residence surrendered their weapons and were received as "lodgers," at the request of Mr. Siles Zuazo, pending further determination.

Bolivian officials said that one of the officers in the Venezuelan Embassy was Lieutenant Colonel German Linares, head of a U.S.-trained anti-cocaine police unit known as the Leopards. The Bolivian government said late Saturday that the Leopards had taken part in the coup attempt.

Throughout the 10-hour ordeal, the streets in La Paz remained calm, and no violence was reported.

After he was freed, Mr. Siles Zuazo stood on a balcony of the presidential palace and spoke to cheering supporters gathered in Plaza Murillo.

"We want the country to know that we constitute the fundamental and implacable force as demonstrated by our democratic principles and our social creed," the president said. "The result has been a happy one because all Bolivians have emerged united."

Defense Minister Manuel Cárdenas said the coup attempt was led by two army officers, Colonel Rolando Saravia, regional military commander of Pando, near the border with Brazil, and Major Luis Ardaya.

Just before Mr. Siles Zuazo was found, Cabinet Secretary Miguel Urioste said, "An attempt to create the conditions for a military coup has failed, and the government is in total control of the country."

Shortly after the abduction, the head of the armed forces, General Alfredo Villarroel, expressed his "total repudiation of the crime" and announced a state of emergency restricting all military units to their barracks.

Mr. Cárdenas said that the president was abducted by 60 uniformed policemen armed with M-30 machine guns and led by a lieutenant from the Police Academy, which is run by the Interior Ministry.

The policemen overpowered a small unit of guards at the presidential residence about 5:30 A.M., forced the president into a vehicle and sped away, he said. The president's wife was left behind unharmed.

The kidnappers apparently expected support from the military, which has not been a strong backer of the president.

The military refused to recognize the results of elections when Mr. Siles Zuazo was elected in 1980 but, faced with an economic crisis and labor unrest, the military in 1982 "reconfirmed" the election results and allowed him to return from exile and take office.

While the president was held hostage, cabinet ministers met to "adopt preventative measures to ensure institutional stability," Foreign Minister Gustavo Fernandez said. *(UPI, AP)*

El Salvador's Lawmakers Cut Off Land Reform

By Dan Williams

Los Angeles Times Service

SAN SALVADOR — El Salvador's National Assembly has voted to cut off a program of giving land to tenant farmers, bringing to an end the last operating element of the country's land-reform program.

On Thursday, the assembly revoked Article 207 of a land-reform law that had been in effect for four years. It had been due to expire several times since 1980, but was extended every time.

Article 207 provided for the third of three planned phases of a land-reform program that was begun following a 1979 coup by liberal army officers. It had been considered a key to winning impoverished peasants away from the country's five-year-old leftist insurgency.

In Washington, a State Department official said that the expiration of the land-reform measure, after its previous extensions, had long been scheduled and came as no surprise. He indicated that the pressure within El Salvador for another extension was small.

"It almost seems land reform in Salvador is a bigger issue with the American public and in the U.S. Congress than in that country," he said. "There appears to be no big constituency for it down there now. Evictions are no longer a major problem."

About 233,000 acres (94,300 hectares) have been distributed, according to the U.S. Embassy. More than 62,000 families had been given land, although only 10,356 legal titles have been granted, an embassy spokesman said.

Titles cannot be issued until the original owners are compensated by the government, and payment has been lagging.

Another 198,000 acres, some of it in combat areas, were eligible for distribution, but have not been claimed by the farmers who rent them. Tenants can claim up to 17 acres that they farm.

The Christian Democratic Party of President José Napoleón Duarte fought to extend the law, but rightist politicians aligned with the Republican Nationalist Alliance of Mr. Duarte's rival, Roberto d'Aubuisson, quashed it.

Those who opposed the law said it discourages planting and investment in the countryside.

"The beneficiaries have had four years to make their claims," said Genaro Pastore, representative of a small party aligned with Mr. d'Aubuisson's party.

Members of the Popular Democratic Union, an amalgam of peasant unions that support Mr. Duarte, were upset.

"To the poor farmers, it's a cruel joke," said Cristóbal Alemán, a member of the union's executive board. He expressed fear that the action, besides ending land-reform efforts, will encourage land owners to challenge the expropriation of land already given to tenants.

In the land-reform program's first phase, which broke up big farms, about 539,000 acres were distributed to 31,359 families.

In the second phase, landlords owning more than 1,250 acres were supposed to give up all but 375. However, last December the legislature voted to permit the owners to keep 612 acres of their choosing, reducing dramatically the land available for distribution.

The revised second phase has yet to be implemented, and Mr. Duarte, in a speech before taking office as president, said that a shortage of money and administrative problems may delay the start of it for several years.

The vote was the third major legislative setback for Mr. Duarte since he took office June 1. The previous two occurred when rightist assembly members voted to select conservatives to head the country's Supreme Court and as attorney general.

■ Name Supplied in Plot

El Salvador's highest police official said last week that an individual is under investigation for plotting to assassinate Ambassador Thomas R. Pickering, The New York Times reported from San Salvador.

The deputy minister of public security, Colonel Carlos Reynaldo López Nuila, said the Salvadoran police were acting on information supplied by the U.S. Embassy on Monday.

He refused to identify the person, saying only that the individual had been warned that he was under suspicion and might be arrested for involvement in a plot to kill Mr. Pickering.

Soviet Opposes U.S. Plan Linking Space Talks to Resumption at Geneva

By Dusko Doder

Washington Post Service

MOSCOW — A U.S. announcement that it is willing to begin negotiations on banning anti-satellite weapons in space if the talks are linked to a resumption of negotiations on medium-range and strategic missiles was described Sunday by the Soviet Union as "totally unsatisfactory."

The United States on Friday accepted a Soviet proposal made earlier in the day to begin talks on banning the anti-satellite weapons, but the administration called for broadening the discussions to include ways of resuming the Geneva negotiations.

While the official statement distributed Sunday by Tass described Washington's response as unsatisfactory, it said Moscow's offer to open talks in Vienna in September "remains in force."

The Soviet government, it added, "expresses the hope that the U.S. administration will adopt a more serious and more responsible attitude to this proposal."

[The White House expressed disappointment Sunday at the dismissal of the U.S. agreement to take part in talks on space weapons, Reuters reported from Washington.

["We are disappointed with their public response," a White House statement said. "We hope to have a more serious and considered response through diplomatic channels."]

President Ronald Reagan's national security affairs adviser, Robert C. McFarlane, said Friday that the United States was prepared to meet with the Russians in September at any location.

But Mr. McFarlane said the aim would be "to discuss and define" arrangements for resuming negotiations on strategic and intermediate-range nuclear weapons reduction and to work out "feasible negotiating approaches" to "verifiable and effective" anti-satellite weapons limits.

The administration's response represented a major step away from the coolness with which it reacted several weeks ago when President Konstantin U. Chernenko of the Soviet Union first called for negotiations on banning anti-satellite weapons.

In March, Mr. Reagan sent Congress a report saying he would not seek to negotiate a comprehensive anti-satellite weapons ban because there was no way to verify it.

But the administration has come under mounting election-year pressure to reach accommodation with the Soviet Union.

Diplomatic observers in Moscow said the Russians may have been surprised by Washington's quick acceptance of their proposal. Moscow is believed to suspect a possible trap in this move since U.S. officials have raised the possibility that the proposed talks would involve discussions about strategic and medium-range missiles.

Sunday's statement repeated Soviet allegations that it was the United States that was responsible for the collapse of both sets of Geneva arms talks by the deployment of Pershing-2 and cruise missiles in Western Europe.

"The U.S. administration has not made, nor does it wish to make, a single step to open the way for considering these questions by way of talks," the statement said.

The Soviet rejoinder to Washington's avowed willingness to open talks on space weapons came as Britain's foreign secretary, Sir Geoffrey Howe, arrived in Moscow. He is the first British foreign secretary to make an official trip to Moscow in seven years.

Since arms control and East-West issues are high on Sir Geoffrey's agenda, it was expected that he would hear more detailed information about Moscow's proposal on banning space weapons.

There were speculation that Sunday's Tass statement was designed to categorically foreclose any possibility of broadening the proposed Vienna talks to include other arms control issues.

Moreover, the statement voiced Soviet concerns about previously stated U.S. attitudes toward comprehensive negotiations on banning the development and deployment of all space weapons.

It said that "as to the space weapons proper," the Americans "do not want them to be banned, as proposed by the Soviet Union." It said that Washington sought to avoid serious talks on the subject, suggesting instead "that the discussion be limited only to the study of some 'approaches' of a general character to the problem.

"In other words, they are seeking to retain freedom of action for implementing programs directed at turning outer space into a springboard for aggression.

"Tass is authorized to state that the American administration's re-

(Continued on Page 2, Col. 3)

For the EC, a New Set of Problems

Petty Disputes Rob It of Popular Passion, Commitment

By John Vinocur

New York Times Service

PARIS — About 10 minutes after the European Community countries resolved their five-year budget dispute last week, the where-do-we-go-from-here and what-have-you-done-for-us lately questions began again.

They had a special undertone: With Europe seemingly rid of its budget millstone, the questions suggested there were no more excuses for failing to move toward political unity and the kind of cooperation that would involve citizens, rather than governments, in creating European integration.

Although Prime Minister Margaret Thatcher wanted to talk at a news conference in Fontainebleau about what a good deal she felt she had fashioned for Britain, some of the questioners had other things on their minds.

What had she done about her old pledges to bring down intra-European air fares, which are vastly higher than those in the United States over similar distances? And weren't some of the summit participants' recommendations for raising Euro-consciousness in the 10 member countries — a European flag, a European anthem, all-European sports teams — just cosmetics, and pathetically insignificant?

Mrs. Thatcher replied by barely replying at all, drawing her audience's attention to the budget numbers and equations. The response reflected a basic problem for the EC. It is not really certain how to proceed in the future, and not entirely convinced it has swept away all the petty disputes, called grocers' quarrels by the French, that have robbed the European entity of popular passion and commitment.

In the short run, some almost classical grocers' disputes are still present. There is a $1.8-billion community budget shortfall for the current year, and very little agreement on how to deal with it.

In removing Britain's grievance about its budget payments, the

NEWS ANALYSIS

leaders came up with trade-offs letting the West German government circumvent the Common Market's joint agricultural policy through special tax advantages for its farmers.

This not only infuriated the Dutch and the Italians, who are coming under pressure from their own farmers, but led a West German consumer's association to say the decision "meant a flood of subsidies and more overproduction" to be financed by the taxpayers.

Since the largest single slice of the community's funds goes into farm supports, the greatest saving for creating new programs in other areas can be realized by cutting down on the agricultural subsidies. But governments fear the wrath of their farmers, and the grand proposals — and the money — for Europe's joint future in space and technology consequently appear highly uncertain.

Even the solution to the British problem — a rebate of $1.4 billion for 1983 and 1984, then a 66-percent annual kickback on Britain's contributions from the value-added tax — may unravel when the money from a new levy runs out, perhaps as early as 1986.

A more general danger is that no one really knows how to give the community a soul. The strikingly low turnouts in the elections for the European Parliament two weeks ago show that many people think of the Common Market mostly as butter surpluses or fish catch quotas. President François Mitterrand acknowledged in Fontainebleau that successes on the level of the EC did not have much political sex appeal.

Ideas for developing West European integration are not lacking.

(Continued on Page 2, Col. 2)

14 Die in Landslide in Japan

Reuters

KUMAMOTO, Japan — The death toll in a landslide in the southwestern prefecture of Kumamoto rose to 14 Sunday as rescuers continued to recover bodies, police said. Two persons are still unaccounted for after the landslide Friday, which was triggered by heavy rain.

Avital Shcharansky after 10 years: "We are in close contact. Maybe outside we are changed, but not inside."

Avital Shcharansky: A Decade of Pain, Waiting and Devotion

By David K. Shipler

New York Times Service

JERUSALEM — Avital Shcharansky's 10th wedding anniversary is approaching, and with it comes the 10th anniversary of her last glimpse of her husband, Anatoli. It has, she says, been a decade of pain, of waiting, of uncommon devotion.

One day after they were married in Moscow on July 4, 1974, she followed his urging and emigrated to Israel just before her hard-won exit visa expired. They were both confident that he would be allowed to join her in a few months.

But the months stretched into years, and the years saw a rising effort among Jews to emigrate and a tough crackdown by the Soviet authorities. In 1977 Mr. Shcharansky, a mathematician and one of the outspoken leaders of the emigration movement, was arrested on a charge of treason, and then sentenced to 13 years in prison.

They were still new to adulthood in 1974, still fresh with joy and optimism.

"When we married we felt like big winners," Mrs. Shcharansky said recently. "So excited. When we were separated we were so sure we were going to meet again very soon."

He is now 36 years old; she is 33. Parts of their lives have been lost. But to judge by his letters from prison and her constant travels and appeals on his behalf, they have lost none of their fervor for each other.

For the last decade, Mrs. Shcharansky has devoted her life almost exclusively to campaigning for her husband's release. She has traveled almost constantly throughout the Western world, meeting political leaders and heads of state, foreign ministers and private citizens.

She has seen President Ronald Reagan and, during the previous administration, President Jimmy Carter. She has talked with Prime Minister Margaret Thatcher

A Soviet exile says a letter from Moscow indicates Sakharov's wife is in good health. Page 4.

of Britain, President François Mitterrand of France and, as she remarks with a smile, "three or four heads of state of Italy."

None of this seems to have hardened her with cynicism. "I have no doubt that he will come," she said. "Not too soon, but he will be here."

She credits her husband for her optimism. "Anatoli is so optimistic in his whole life that he makes people believe he will be free," she said.

Indeed, Mrs. Shcharansky's moods swing with his, as well as she can perceive them through the separation of prison and censored mail.

"In the last six months I got two direct letters to me," she said. A third was apparently confiscated. But his mother, Ida P. Milgrom, who lives just outside Moscow, has been receiving the monthly letter that he is allowed to write. She speaks with Mrs. Shcharansky by telephone every week or so and reads his letters to her.

On the visits his mother is allowed every six months, he scolds her for not giving the details he craves about Mrs. Shcharansky's life, she said. This brings a glowing smile to her face.

Mr. Shcharansky's recent letters have been full of the romantic, witty philosophizing that his wife knew when they were together in Moscow. It buoys her own spirits.

"When I see his letters, they make me really excited," she said. "It makes me see how the spirit of a human being can win everything."

"The KGB try to kill him emotionally," she continued. "They try to break his soul and make him one of them. They came and said if Anatoli writes to the Supreme Soviet and says he's sick and asks for a pardon, they would release him after half his sentence. But he wouldn't do it. In an appeal for a pardon, you somehow say that you're guilty, and you play the game."

Mr. Shcharansky, who was pressed by the authorities to brand the Jewish emigration movement as having links with U.S. intelligence, alluded to that in a letter a year ago, when he wrote:

"In addition to Newton's law on the universal gravity of objects, there is also a law of the universal gravity of souls, of the bond between them, and the influence of one soul on the other.

"And it operates in this manner, such that with each word that we speak, and with each step that we take, we touch other souls and have an impact upon them. So why should I put this sin on my soul?

"If I already succeeded once in tearing the spider web spun by the uncontrollable forces of life ... how is it now possible to take even one step backwards toward the previous status?"

Last May, writing about his mental efforts to survive interrogation, he said he was compelled to summon up "pictures from my past, and thoughts concerning history and tradition: the Hebrew language and the books that I read; all that remained in my memory from my preoccupation with mathematics and chess, even visits to the theater, and of course, the ability to laugh — not at jokes or clever plays on words, but as if I were a spectator viewing the world from the sidelines, without undue melodramatics, discovering many interesting things, both comical and absurd."

In Israel, Mrs. Shcharansky has become an observant Jew, keeping the Sabbath, keeping kosher, binding her hair with a tight kerchief in the manner of religious married women.

Three years ago she began studying Tanach, a Hebrew acronym for the holy scriptures of Judaism, and painting part-time at a religious women's college near Tel Aviv. But she has not really tried to make a life for herself outside her husband's cause.

And what has this done to her? Has she changed? What will Mr. Shcharansky find different about her if he is able to rejoin her?

"Age," she said, and laughed. "We are in close contact. Maybe outside we are changed, but not inside."

A Homeland Strives to Stand Alone

South Africa's Qwa Qwa Shows Quandaries of Apartheid

By Alan Cowell
New York Times Service

PHUTHADITJHABA, South Africa — The white-painted mansions that straddle the hill, like moored ocean liners, would not look out of place in Hollywood. The slums that nestle below them might also find a place there, in the script of a movie about poverty.

The people who live on the hill, behind a flood-lighted security fence, are the government officials, and the people below them are those in whose name they exercise the limited self-rule accorded to Qwa Qwa, South Africa's smallest and most overcrowded homeland.

Nearby, there is a second hill, with a fenced-off compound for white administrators. The shanties curl between the two, with the symmetry envisioned by those who design apartheid.

The people on the first hill have been criticized for the grand scale of their homes. But, in conversations affected by low expectations and fear of authority, some of those living in the shadows seem circumspect in their assessment of those living above.

"After all, it is only a hostel," said a salesman at Makela & Sons General Dealers, where those with cash can buy blankets, canned sardines, beef, panty hose and knives. "When he has finished the job," the salesman said of Qwa Qwa's chief minister, T.K. Mopeli, "he will have to move out."

The comparison, drawn wryly and with half a smile, was with the barracklike hostels inhabited by black men without their families who find work as migrant laborers in South Africa's cities and whose tenure lasts as long as they are needed to power the economy.

"Somehow," the salesman said, gesturing toward a mansion said to have 40 rooms, "I do not think he will want to leave the job when he has lived in a hostel like that one."

Qwa Qwa, with half a million people on 200 square miles (516 square kilometers) of rocky land pressed against the walls of the Drakensberg Mountains, represents one conclusion to the grim logic of apartheid, or racial and ethnic separation. It is the homeland set aside for people who speak the South Sotho language, representing 9 percent of South Africa's 20 million blacks.

The land allotted to them represents four one-hundredths of 1 percent of the area within South Africa's traditional frontiers. Many people who speak South Sotho still live in "white" South Africa, or in a place called Onverwacht, a large resettlement center for South Sotho speakers. But Qwa Qwa, with its village capital, Phuthaditjhaba, is nonetheless crowded.

Under a blanket of yellow-brown smoke from the coal fires of Africa's winter, it is fixed between mountain and plain, with houses of brick and tin and clay tumbling atop one another in higgledy-piggledy intimacy.

The land alone, it has been estimated, could sustain about 1,000 people. When the homeland was created in 1970, it already housed 23,000 people.

It is a place that illustrates the quandaries of apartheid for black people.

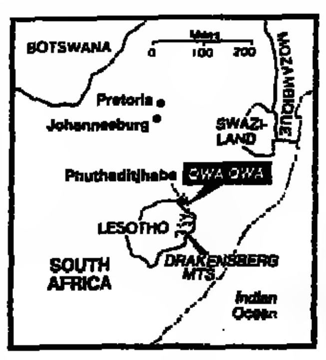
The minister of finance, M.G. Mohale, said that Qwa Qwa did not want "independence," because it would entail the loss of South African citizenship for all South Sotho-speaking people, but Qwa Qwa had accepted homeland status.

"That is not to say that we like it or asked for it," he said, "but we felt it would be better for us to act within the system to represent our people. Now we can say what we like to the central government, we can make our own budgetary estimates and ask for what we want."

But according to the minister of education, R.D.H. Mopele, those requests are not always heeded.

In the last few years, Mr. Mohale said, 100 industries have been set up in Qwa Qwa, providing some jobs. The education minister said 70,000 children were now in school, and there were 3,000 teachers. There is, Mr. Mohale said, the stirring of democracy in the Legislative Assembly, with 40 seats nominated by tribal chiefs and 20 elected positions, all held by the chief minister's Dikwankwetla Party.

The party's name, Mr. Mohale said, denotes "very strong people, educationally, spiritually and otherwise." But there are other perspectives.



The New York Times

A security fence surrounds the houses of government ministers in the South African homeland of Qwa Qwa. Children, left, stand outside their families' tin shacks.

"When we became a government, we decided on the houses," Mr. Mohale said. "Some of the people do criticize and say the government is spending a lot of money when there are other priorities. But I think it was wise to put up houses like that because, even after 100 years, they will still be suitable."

Each of the eight ministers has one of the mansions, and a Mercedes-Benz sedan to go with it. The symbols of elitism of much of the Third World have thus been transposed here within a few years.

Like the other national states, Qwa Qwa is acknowledged only by South Africa, its creator and the moving force on which it is totally dependent. Most of the people, Mr. Mohale said, came here from farms and other places in the Orange Free State and, he asserted, are happier. Such happiness, however, is relative, for it is defined by comparison to greater miseries.

"Here it is better than when I was on the farm," said David Lebona, 24. "It is better because I can build my house and stay on it until I die. At the farm, when the boss does not need me anymore, I can be thrown out."

United Press International

WEST GERMAN PRESIDENT — Richard von Weizsäcker, 64, former mayor of West Berlin, took the oath of office Sunday in Bonn as West Germany's new president. With him at the ceremony before a joint session of the West German Parliament were Franz Josef Strauss, right, Bundesrat president; Rainer Barzel, third from right, Bundestag president, and Helmut Schellknecht, third from right, Bundestag director.

Arafat Asserts Rift in PLO Is Healed

New York Times Service

BEIRUT — Yasser Arafat, the chairman of the Palestine Liberation Organization, says the guerrilla movement has overcome its divisions and is again a force to be reckoned with.

In a message to Palestinians marking the end of the holy month of Ramadan, Mr. Arafat declared Saturday that the PLO has survived all attempts to undermine it since the Israeli invasion of Lebanon two years ago.

Mr. Arafat spoke in Tunis, where he has maintained headquarters since he and 11,000 PLO guerrillas were forced to leave Beirut when it was encircled by Israeli forces. His message was carried by WAFA, the Palestinian news agency.

He said that talks between rival PLO factions last week achieved positive results. His own faction, el-Fatah, and four other Palestinian groups issued a joint communiqué Friday stating that they had reached agreement on closing guerrilla ranks and ensuring the unity of the 20-year-old organization.

The communiqué followed a third round of talks in Aden, South Yemen. Two other rounds were held in Aden in March and May.

The four groups involved in the negotiations with Fatah — all members of the so-called Democratic Alliance — were the Popular Front for the Liberation of Palestine, the Democratic Front for the Liberation of Palestine, the Palestine Liberation Front and the Moscow-oriented Palestine Communist Party.

Another grouping, calling itself the National Salvation Alliance, includes rebels inside Fatah and three Syrian-backed organizations based in Damascus. The National Salvation Alliance refused to take part in the Aden talks, insisting on Mr. Arafat's resignation as PLO chairman.

Mr. Arafat, still retaining the title of commander of PLO forces, has no control at present over about 10,000 guerrillas entrenched in eastern and norther Lebanon. However, divisions have developed in rebel ranks.

The Aden communiqué said that agreement was reached on political and organizational matters, but the contents of the accord were not disclosed.

A challenge to Mr. Arafat's authority has been the bid by the Democratic Alliance to secure a clear-cut commitment from his followers against cooperating in U.S. plans for a settlement of the Arab-Israeli conflict.

The Aden declaration, which was released by WAFA, emphasized that the PLO is the sole spokesman for the Palestinians and declared hostility to what it called imperialist and Zionist designs to liquidate the rights of the Palestinian people.

Mr. Arafat's opponents rejected a 1982 initiative offered by President Ronald Reagan for working toward a Palestinian federation in association with Jordan.

New Problems For the EC

(Continued from Page 1)

but they run into Europe's relatively weakened economic condition, some historical realities, imbalances in development and mutual confidence, and the sometimes pedestrian quality of the programs themselves.

France and West Germany have already agreed to eliminate border-crossing formalities for their nationals. But the fact is that when their interior ministers, and a small number of selected allies, talk in secret session about terrorism, Greece, among other community countries, is not necessarily included.

Besides deep currents of doubt about the desirability of European political union in countries like Britain and Denmark, the community's inability to act in concert shows up in the organization's most basic form, the customs union. Its leaders acknowledge that decades after its creation, the EC has never really become a vast domestic market of 300 million consumers, free of bureaucracy and conflicting regulations.

At Fontainebleau, Mr. Mitterrand held up a sample European passport as a symbol of the "Citizens' Europe" of the future, but French beer is still exported with difficulty into West Germany because of so-called beer "purity" laws there. The sight of a French president showing off a European passport was not without irony, either, since France has been continuously accused by its partners of subordinating joint interests to its own concerns.

Now there is relief that the budget dispute seems past, and new hope that a debilitating period has been overcome. But the community's old habits may be hard to break. Gaston Thorn, the president of the group's Executive Commission, said no one should underestimate the difficulties after five years of "a poisoned time."

Arms Talks Plan Opposed

(Continued from Page 1)

ply to the Soviet government's statement is totally unsatisfactory."

During a televised discussion Saturday night, a senior Central Committee official, Vadim V. Zagladin, was asked whether Mr. Reagan's space weapons program, if implemented fully, would tilt the strategic balance.

"One can answer this quite simply," Mr. Zagladin said. "The Soviet Union and its allies will not permit any violation of the balance, not on any plane, not in any of its segments or its aspects. Measures will be taken to neutralize such violations."

"But we should also state it straight that we are decisively and categorically against expanding the arms race to outer space," he added.

Nixon Asks U.S., Soviet Cooperation On Anti-Missile Weapons Research

Los Angeles Times Service

LOS ANGELES — Former President Richard M. Nixon has urged the United States and the Soviet Union to share research on the so-called "star wars" anti-missile systems because the development of such weapons could fuel fears that they might be used as a shield for a nuclear strike.

Mr. Nixon expressed skepticism about the effectiveness of defensive missile systems. The "star wars" weapons, which would employ laser or other high-energy beams to attack incoming missiles, would be overwhelmed by the vastly greater numbers of offensive missiles that can be deployed by either the United States or the Soviet Union, he said.

He would not join another former president, Jimmy Carter, and his own former arms control adviser, Gerard C. Smith, in condemning President Ronald Reagan's plans to develop such weapons. He likened Mr. Reagan's plans to President Harry S. Truman's decision to build the hydrogen bomb, and said the United States would have to develop such weapons in the absence of a cooperative agreement with the Soviet Union.

Such weapons would be effective, at best, against third powers that possess limited nuclear arsenals than the superpowers, Mr. Nixon suggested.

Iraq Claims It Destroyed 5 Ships, Iran Jet in Gulf

New York Times Service

BAGHDAD — Iraqi jets destroyed five ships headed for an Iranian Gulf port on Sunday, a military spokesman said here.

Details of the reported attack on a convoy heading toward Bandar Khomeini and confirmation of the damage to the ships were not immediately available.

The Iranians scrambled aircraft to meet the attack and the Iraqis shot down an Iranian F-14 fighter, according to the military spokesman.

The Iraqi announcement, which broke into regular radio programming, added that two more ships, trying to flee the attack, ran into a mine field and were damaged.

The attack would be the second Iraqi strike against shipping in the Gulf near the Iranian oil terminal of Kharg Island in a week.

On Wednesday, Iraqi jets struck at the Swiss-operated, 26,000-ton tanker Tiburon, apparently hitting the engine room. Eight crewmen were killed.

Salvage tugs are trying to tow the ship, flying the Liberian flag, to Bahrain.

Iraq has declared an "exclusion zone" around Kharg Island in the latest step of the 45-month-old Gulf war.

The Iraqi naval commander, Commodore Abed Mohammed Abdullah, said in an interview in the official press that Iraqi forces had struck about 170 targets in the Gulf since the beginning of hostilities and now maintained what he said was full control over the area.

The brief radio announcement said that the attack had occurred near the Kohr Musa channel.

"Our forces spotted a convoy of ships heading for Bandar Khomeini this morning and attacked," it said. "Five targets were hit effectively and destroyed."

Black smoke was rising over the other two ships that had run into mines, the announcement said.

Although there was no further description of the ships, the destination and the formation suggested that they may have been cargo vessels bringing goods to Bandar Khomeini.

If the report of the downing of the Iranian F-14 proves correct, it will be a blow to Ayatollah Ruhollah Khomeini's forces, which are reported to have only five functional F-14's left and to be running low on spare parts.

■ **Fire Under Control**

Firefighters extinguished Saturday most of the fire burning on the Tiburon since Wednesday, a spokesman for the Dutch salvaging company Smit International said in Rotterdam, United Press International reported from Abu Dhabi.

The crew members killed were said to be seven Spaniards and a West German.

Assad Exiles His Brother, Paper Reports

The Associated Press

LONDON — President Hafez al-Assad of Syria has started a purge to reinforce his authority by sending his brother and other top army officers into temporary or permanent exile abroad, London's Sunday Observer has reported.

Those sent out of the country include the second vice president, Rifaat al-Assad, commander of the Defense Brigades, a reinforced division of 25,000 soliders who have traditionally guarded the city, and Mr. Rifaat's rivals, General Ali Haydar, head of the Special Forces, and General Shafiq Fayyadh, commander of the 3d Armored Division, the newspaper said. There was no independent confirmation of the report.

The Observer said the units involved came close to dragging Syria into civil war this year when their commanders were squabbling and President Assad had to intervene.

The Observer said the rivals and 60 other officers and officials were sent to Moscow on May 28, ostensibly for talks with Soviet leaders.

"It is now clear the trip was a cover for disciplinary action against the troublemakers," the Observer said. It said that officials such as Foreign Minister Farouk al-Sharaa returned home after the talks but that the principal army commanders did not.

"Rifaat and his supporters are in Geneva, while Generals Haydar and Fayyadh cool their heels in Sofia, Bulgaria," the newspaper said.

The weekly said President Assad has also instituted military transfers and postings to strip some army chiefs of their supporters and power.

The paper said "a parallel reshuffle in the administration and higher ranks" of the ruling Ba'ath Party was expected to follow.

New Engine Set For Troubled Space Shuttle

New York Times Service

CAPE CANAVERAL, Florida — Technicians have failed to pinpoint the cause of an abrupt engine shutdown aboard the space shuttle Discovery and the space agency has decided to replace an entire engine, delaying the flight until at least mid-July.

The National Aeronautics and Space Administration said the engine change would begin Monday and that announcement of a new launch date would be made later this week.

A NASA official said the agency had not yet determined how the postponement would affect subsequent shuttle missions this year and in 1985.

The $1.2-billion Discovery failed to get away on its planned seven-day mission Tuesday when a fuel valve in one of its engines apparently did not open properly.

Lebanon Plan Accepted by Christians

Reuters

BEIRUT — Lebanon's main Christian militia joined the country's two major Moslem militias on Sunday in accepting a cabinet peace plan for a Lebanese Army takeover of Beirut, which is expected later this week.

Final details of the plan, designed to end 10 months of sectarian fighting and five months of battles within the capital, are due to be submitted for government approval Wednesday and possibly implemented the same day.

Despite the gathering peace momentum, shelling of residential districts by both sides continued Sunday and sporadic clashes with mortar, tank and grenade fire were reported on some sectors of the Green Line dividing Beirut.

Earlier Sunday, a spokesman for the Shiite militia chief and cabinet minister, Nabih Berri, said he had ordered men of his Amal militia to prepare to remove their big guns from the city once the army units have taken over.

Mr. Berri's militia and the mainly Druze Progressive Socialist Party of Walid Jumblat, another cabinet minister, jointly control West Beirut.

On Saturday, the Druze militia withdrew a token number of heavy weapons from the capital to their mountain strongholds above Beirut.

Acceptance of the peace plan by the Christian Lebanese Forces militia came in a statement by its commander, Fadi Frem.

"We will accept the deployment of the army in East Beirut on condition that a similar and simultaneous deployment takes place in West Beirut," he told the Central News Agency.

It was Mr. Frem's first public comment on the plan since he returned from a visit to the United States on June 25.

The national unity cabinet of Moslem and Christian leaders approved a wide-ranging peace package on June 23.

Mr. Frem's force is the armed wing of the Lebanese Front coalition headed by the Christian party leaders, Pierre Gemayel and Camille Chamoun.

Both are cabinet ministers and have committed Christian forces to the peace plan.

Mr. Frem's silence had caused concern that his militia might defy the traditional Christian leaders and refuse to lower its defenses around East Beirut.

Amal and the Progressive Socialist Party have fought on the Green Line against the Lebanese Forces militia controlling Christian East Beirut since February.

Beirut Radio said Sunday that all details had been made final and accepted by the rival groups. Two reintegrated army brigades of Christian and Moslem troops would start taking over militia positions at the end of the week.

■ **Israel Still Holds Passengers**

Israel is still holding nine passengers detained after its gunboats intercepted a Beirut-bound ferry in the Mediterranean on Friday and ordered it into the northern Israeli port of Haifa, Reuters reported from Tel Aviv.

A Foreign Ministry official said Sunday that the nine — eight Lebanese and a Syrian — would probably be released soon.

Asked about the purpose of their interrogation, he referred to a Foreign Ministry statement on Saturday that said the ferry was intercepted as part of Israel's war on terrorism.

Lava Spews From Kilauea

The Associated Press

VOLCANO, Hawaii — Kilauea Volcano erupted Saturday in 1,500-foot (470-meter) lava fountains visible in Hilo 65 miles (100 kilometers) away, an observer said.

WORLD BRIEFS

Police Battle Anti-U.S. Protesters

NOTTINGHAM, England (Reuters) — Hundreds of anti-nuclear demonstrators broke into a British Army depot Sunday to protest U.S. use of part of the base, the Defense Ministry said. Ten people were arrested and 80 detained, the ministry said.

Part of the base has been leased to the U.S. Army as a transport depot. Protesters say parts for cruise missiles will be stored there, an assertion denied by both Britain and the United States.

[In Giessen, West Germany, police fought Saturday with anti-U.S. protesters who threw themselves in front of tanks, disrupting a U.S. Army parade to celebrate the U.S. independence day, July 4. Four policemen were hurt and one protester was arrested, according to United Press International.]

25 Leave Bonn Mission in East Berlin

BERLIN (AP) — Twenty-five East Germans have left the West German mission in East Berlin after receiving assurances from the Communist authorities that their applications for emigration would be processed and that they would not be punished, the Bonn government announced. But informed sources said Sunday that 30 more remained in the mission.

The group of 25 left Friday. The remaining 30 said they wanted guarantees from the East German authorities that they would be allowed to go to West Germany, but the sources said there was no immediate prospect for resolving the standoff.

Heinrich Windelen, the West German minister of inter-German relations, was quoted in a newspaper in

Ruiz Mateos Seeks Political Asylum

FRANKFURT (Reuters) — José Maria Ruiz Mateos, a Spanish financier who is facing fraud charges in Spain, is seeking political asylum in West Germany, his lawyer said Sunday.

Mr. Ruiz Mateos, former head of the Rumasa business empire that was taken over by the Spanish government in February 1983 to prevent its collapse, was arrested at the Frankfurt airport in April. He has been in custody since then, pending decision on an extradition request by Spain.

His lawyer, Norbert Wagener, said that Mr. Ruiz Mateos was seeking asylum on the ground that the proceedings against him in Spain were politically motivated. Bonn has an extradition treaty with Madrid.

U.S. Studies UNESCO Reform Effort

ABIDJAN, Ivory Coast (NYT) — A Reagan administration official said that the U.S. decision to withdraw from UNESCO had led to the first "serious effort toward reform" of the organization.

Gregory J. Newell, assistant secretary of state for international organizations, said Saturday that if changes within the agency were made to the Reagan administration's satisfaction, "we will return to UNESCO." His statement suggested a more optimistic position than has been voiced in the past on U.S. participation.

U.S. withdrawal from the United Nations Educational, Scientific and Cultural Organization is scheduled for the end of the year. The Reagan administration said it was leaving because of what it termed UNESCO's politicization and inefficiency. The agency receives 25 percent of its $374.5-million budget from the United States.

Berlin Philharmonic Threatens Strike

BERLIN (AP) — A longstanding dispute between the musicians of the Berlin Philharmonic and its its conductor, Herbert von Karajan, worsened Sunday when the orchestra threatened to cancel an August concert in Salzburg unless the maestro explained his stand in a dispute over hiring new orchestra members.

Relations between the 116-member orchestra and its conductor have been stormy for 18 months, dating from the day a clarinetist was hired without the musicians' approval. Traditionally, the orchestra has been allowed to vote on new members.

The orchestra began its summer recess Sunday and the next performance under Mr. Karajan was scheduled for Aug. 24 at the annual summer music festival in Salzburg.

Earthquakes Strike Suburb of Naples

POZZUOLI, Italy (AP) — Two strong earthquakes struck this Naples suburb Sunday, causing the partial collapse of a three-story building and damaging scores of other structures, government officials said.

There were no immediate reports of injuries, according to civil defense workers. They said they thought the partially collapsed building was empty.

Pozzuoli has been afflicted for more than a year by continuing earth tremors, which have caused the temporary evacuation of some areas.

2 Nations Assail Japanese Textbooks

TOKYO (Reuters) — China and South Korea complained Sunday that revisions of Japanese school textbooks that they said earlier had glossed over Japanese atrocities in World War II were not enough. Japan briefed the two countries on the changes and released the books Sunday, the Kyodo News Service said.

Japan agreed to revise the books after protests from the Beijing and Seoul governments in 1982. China complained, among other things, that the Japanese Education Ministry would not permit any reference to Japanese forces conducting an "invasion" of China in 1937 and used the word "advance" instead. But the official Xinhua news agency said Sunday that "advance" was still being used.

In Seoul, the Yonhap News Agency quoted a Foreign Ministry official as saying that eight changes had been made but said South Korea wanted further revisions.

U.K. Miners Accused of Intimidation

LONDON (Reuters) — The British government accused striking coal miners Sunday of intimidating colleagues wanting to work and pledged to bring those responsible to justice.

"Thuggery of this kind has nothing to do with legitimate industrial action," Home Secretary Leon Brittan told Conservative Party supporters in Yorkshire, in northern England. "It is crime." He said that the police had made 94 arrests for intimidation.

The American chairman of the National Coal Board, Ian MacGregor, said in a radio interview that he thought the intimidation was orchestrated, partly by the National Union of Mineworkers. But the miners' leader, Arthur Scargill, speaking on the same program, dismissed the assertion as nonsense, and said the government was using police to intimidate striking miners. The strike, over the closure of pits and the loss of thousands of jobs, enters its 17th week Monday.

U.S. Jails Former Mexico City Official

MEXICO CITY (UPI) — The former Mexico City police chief, Arturo Durazo Moreno, has been arrested in Puerto Rico by the Federal Bureau of Investigation and will be extradited to Mexico, where he is wanted on tax evasion and other charges, a U.S. spokesman said.

Mr. Durazo, 61, police chief from 1976 to 1982 under former President José López Portillo, is sought for tax evasion and illegal possession of weapons, but also has been linked to widespread government corruption, assassinations and drug trafficking. During his six-year term as police chief, Mr. Durazo built several luxurious homes in Mexico and Canada.

Mr. Durazo, who left Mexico at the end of the López Portillo administration, was arrested Friday by FBI agents and U.S. marshals as he attempted to clear customs at the San Juan, Puerto Rico, airport, where he had arrived on a private plane from São Paulo.

For the Record

A Latvian Jewish dissident was sentenced to three years in prison by a Riga court for spreading lies about the Soviet Union, according to Tass. The dispatch called him inhuman for wanting to to emigrate. (Reuters)

China's Communist Party marked its 63d anniversary Sunday by stressing political unity and calling on members to disavow its ultra-leftist past. (Reuters)

More than 300,000 North Koreans turned out Sunday to welcome President Kim Il Sung, 72, back from a one-and-one-half-month tour of the Soviet Union and seven East European nations, a Pyongyang broadcast reported. He made the journey by train. (AP)

The Sri Lankan president, Junius R. Jayewardene, and Prime Minister Indira Gandhi met for more than two hours Sunday at India's presidential palace in New Delhi to exchange views on the island nation's ethnic problems. (UPI)

Two North Africans and an Iranian have been jailed in Lille, France, on suspicion of spying for Iran, court sources said Sunday. The three, all Shiite Moslems, were expelled from Britain after being arrested May 3. (AP)

A trade union leader, Len Murray, 61, collapsed and was hospitalized Sunday in Tolpuddle, England, after leading a march honoring the Tolpuddle Martyrs 150 years after their failed attempt to form a labor union. (AP)

A U.S. court of appeals in Washington refused this weekend to grant a stay that would prevent the government-sanctioned killing of 22,000 fur seals scheduled to begin in Alaska's Pribilof Islands Monday. Animal-welfare groups say the hunt would violate three laws that protect marine mammals. (AP)

AMERICAN TOPICS

Now, Dial-a-Soap For Missed Episodes

For those who miss an episode of their favorite TV melodrama, now there is Dial-a-Soap — daily tape-recorded summaries of soap operas.

A professional team of soap opera watchers keeps track of each breathless episode and files 30- to 90-second briefs that — liberally laced with ads — are narrated in the exclamation-pointed voice of a female "Voice of Dial-a-Soap." The service, which so far has not spread out of the Washington area, draws 3,000 to 3,600 calls, according to the organizers.

Advertisers pay $300 a week to have their messages sandwiched between the summaries.

Mailboxes Abuzz With Busy Signals

For years, Ma Bell's competitors in the long distance market labored under a major disadvantage: to use their service, a customer first had to dial an array of digits that ranged in length from Social Security numbers to automobile serial numbers. Soon, Charleston, West Virginia, will be relieved of this, but other problems have cropped up, like complaints about the volume of junk mail advertising the various services.

On July 15, Charleston customers will become the first to simply dial "1" and connect with either American Telephone & Telegraph or competing long-distance companies, another step under the court-ordered phone system breakup.

Customers select which company will become their long-distance carrier, and the race is on. AT&T is building on what it hopes to be loyalty to Ma Bell, while rivals such as MCI and GTE Sprint are offering cheaper calls and blocks of free time.

Notes on People

As an author, academician and envoy, 77-year-old **Edwin O. Reischauer** has several firsts to his credit, including the fact that he was the first American ambassador to Japan who actually spoke Japanese. He long advocated a greater understanding of Japan and its culture as well as an American policy toward Asia that draws on the results of scholarly research. Now his name is about to grace a major new Far East studies center. The Johns Hopkins University School of Advanced International Studies in Washington is planning a $5-million endowment for the Reischauer Center, where a new generation of Americans will learn the history, language, economics, politics and foreign policies of Japan, China and Southeast Asian nations.

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Rosemary Clapham of Austin, Texas, has the kind of hobby that allows her to be rolling in dough and surrounded by men. The men are of the gingerbread-shaped variety, and Mrs. Clapham is president of the National Cookie-Cutter Collectors Club, a 600-member organization. Mrs. Clapham's collection of 3,000 cookie cutters includes those in the shape of states, animals, cars, trucks, stars, cartoon characters, letters and numbers. The oldest models are worth up to $50, although some rare Pennsylvania Dutch cutters can fetch $200.

□

"I think it's a mistake to tell people they have to have good news and we're willing to give it to them," said **Howard A. Simons**, 55, The Washington Post's managing editor who is to become the new curator of Harvard University's Nieman Foundation this fall. He describes himself as a First Amendment zealot who feels newspaper readers prefer hard news to fluff. Mr. Simons said he hopes to impress his views on the dozen or so mid-career journalists who are accepted for a year of unrestricted study. "I think the public wants us to do more, not less; wants more news, not less; wants us to investigate government more, not less; wants us to pursue dishonest people more, not less," he added.

Howard A. Simons

□

The managing director of the National Anti-Vivisection Society, **George Trapp**, sees it as a logical outgrowth of the struggle for human rights, but whatever the reason, the centuries-old battle to protect animals is experiencing a radical new direction. In hit-and-run raids, groups with names such as the Animal Liberation Front, the Band of Mercy and the Urban Gorillas have "liberated" research animals and broken into laboratories to steal records. Others pursue legal means to press for changes in laws and regulations. After intruders broke into a University of Pennsylvania laboratory in late May, the clash of ideas was defined by **Barry Cooperman**, the university's vice provost for research, who said: "The first question is whether it is ethical to experiment on animals for the benefit of humans. As scientists, we say that it is. Our opponents say it is not. With them, there is simply no middle ground."

United Press International

Walter F. Mondale listened at the National Organization for Women convention in Miami Beach as the group's president, Judy Goldsmith, at microphone, urged a woman as his running mate in November. Three of Mr. Mondale's key female supporters — Representatives Barbara B. Kennelly, far left; Mary Rose Oakar, second from right, and Barbara A. Mikulski, right — have already endorsed Representative Geraldine A. Ferraro for the Democratic ticket.

3 Key Mondale Backers Urge Choice of Ferraro

By Bill Peterson
Washington Post Service

MIAMI BEACH — Three of Walter F. Mondale's key women supporters endorsed Representative Geraldine A. Ferraro, Democrat of New York, for his vice presidential running mate as hundreds of women greeted Mr. Mondale at the National Organization for Women convention chanting: "Run with a woman. Win with a woman."

Representative Barbara A. Mikulski of Maryland told the highly charged convention Saturday that she, Representative Barbara B. Kennelly of Connecticut and Representative Mary Rose Oakar of Ohio had decided to unite behind Mrs. Ferraro for the vice presidency.

"Don't call her baby, call her congresswoman," Miss Mikulski said, adding: "Don't call her baby, call her vice president."

Mr. Mondale, the apparent Democratic presidential nominee, did not mention Mrs. Ferraro or any other vice presidential possibility in his speech. He said he was "considering a number of women, not because they're women, but because they're among the best."

"And if I choose a woman," he said, "it will be because she is the best."

"Considering a woman is a first," Mr. Mondale said, "but it will not be a last. We have broken the barrier. Never again will a nominee make headlines by considering a woman; next time headlines will be made only if women are not considered."

Mr. Mondale, who has been endorsed by the organization, stopped short of committing himself to picking a woman running mate, to the disappointment of many in the crowd.

But Mr. Mondale's appearance and the vice presidential interviews he has scheduled with Mrs. Ferraro on Monday and Governor Martha Layne Collins of Kentucky on Friday, as well as one last week with Mayor Dianne Feinstein of San Francisco, have raised expectations.

On Saturday, Mrs. Ferraro sounded very much as if she would like to be that candidate. She praised Mr. Mondale as "a perfect male candidate" and said of women: "Our place is in the vice presidency and the presidency. ... I thank NOW for making dreams that once seemed impossible a reality for me."

The movement to secure the Democrats' No. 2 spot for a woman has dominated the organization's annual conference, and emotions ran high by the time Mr. Mondale arrived. Many of the 1,200 delegates waved placards proclaiming, "Fritz and a Ms.," "Woman Veep NOW," "New Yorkers for Ferraro" and "Win With a Woman in '84."

Mr. Mondale's interview with Governor Collins will be the seventh he has had with vice presidential possibilities. Only one of the seven, Senator Lloyd M. Bentsen of Texas, is a white male.

Mr. Mondale has scheduled a meeting Wednesday with women officeholders and feminist leaders.

The president of the National Organization for Women, Judy Goldsmith, and a host of Democratic officeholders and candidates made it clear Saturday that they intend to keep the pressure on Mr. Mondale.

In a keynote speech, Ms. Goldsmith said the movement for a woman on the ticket "has a developed a momentum of historic proportions, a groundswell of determination."

With 250,000 members, NOW is the largest U.S. feminist group. Ms. Goldsmith said 400 delegates to the Democratic National Convention, which starts July 16 in San Francisco, are members of the organization.

"We're going there to get a woman on the ticket," she said to a standing ovation. She said her analysis of polling data led her to believe that a woman would help the Democratic ticket.

"We aren't saying, 'If there isn't a woman, we won't play,'" she added. "We're saying, 'If there isn't a woman, we don't win.'"

After Mr. Mondale spoke, he met privately for about 20 minutes with Representatives Mikulski, Oakar and Kennelly, all of whom supported his quest for the party's nomination. They informed him of their decision to unite behind Mrs. Ferraro.

"It was tough to do it," said Miss Mikulski, who had been mentioned as a potential running mate herself. "For some, it meant taking our own buttons off."

■ **2 Polls Back Woman**

The overwhelming majority of state Democratic leaders believe selection of a woman for vice president would improve Mr. Mondale's chances of winning, according to a survey by United Press International.

In a separate survey of delegates to the Democratic National Convention, The Associated Press found wide support for a woman candidate, with Mrs. Ferraro mentioned far more than any other.

Interviews conducted by UPI last week with 85 of the nation's 102 party chairmen and vice chairmen found that 57 percent felt a woman would help a Democratic national ticket, while only 10 percent said such a move would hurt the party's chances.

Nearly 3,000 of the 3,933 delegates responded to the AP survey and, of the 1,640 who stated a vice presidential preference, 54 percent said they wanted a woman on the ticket and Mrs. Ferraro was singled out by 360.

Survey Shows Reagan Surging to a 19-Point Lead Over Mondale

By David S. Broder
Washington Post Service

WASHINGTON — President Ronald Reagan has surged to a 19-point lead over Walter F. Mondale, the prospective Democratic presidential nominee, according to the latest Gallup Poll.

The survey of 908 registered voters gave Mr. Reagan 56 percent and Mr. Mondale 37 percent, with 7 percent undecided or supporting other candidates. The theoretical sampling error is plus or minus four points. The poll, taken June 22-25, was released Saturday.

Mr. Reagan led Senator Gary Hart of Colorado in a separate poll by 12 percentage points, 53 percent to 41 percent, with 6 percent undecided.

Mr. Reagan's lead is the largest an incumbent president has enjoyed at this stage of the race since 1964, the year of President Lyndon B. Johnson's landslide victory over Senator Barry Goldwater of Arizona.

The breakdown of the latest poll showed Mr. Reagan ahead of Mr. Mondale among men and women, in all age categories and in all regions. Mr. Mondale led in only three Gallup categories: among self-identified Democrats, blacks and people with less than high school educations.

Mr. Mondale's showing was his weakest this year. In January, the year's first Gallup Poll showed Mr. Mondale trailing Mr. Reagan by one percentage point, and as recently as early May his deficit was only four points.

The Gallup Poll is consistent with the Reagan campaign's claim that its national poll, taken after the final round of Democratic primaries on June 5, had Mr. Reagan 16 points in front.

James Lake, a spokesman for the Reagan campaign committee, said he believed that the wider margin in the Gallup Poll resulted from "two months of very positive news for the president, both on his foreign trips and in the domestic economy ... along with the fact there's just no great enthusiasm among Democrats for Mondale. Now that the realization has set in that he's their nominee, we're picking up support from Democrats who see no hope in his leadership."

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

Soviet Dancer Defects During Japanese Tour

United Press International

TOKYO — A Soviet dancer, saying he wants more artistic freedom, slipped away from his visiting Moscow ballet troupe and requested political asylum in the United States, officials said.

The dancer, identified as Yuri Aleshin, 25, of the Moscow Philharmonic Classical Ballet, defected Friday morning by slipping into the U.S. Consulate in Sapporo, 500 miles (800 kilometers) north of Tokyo, officials said.

[Thirty members of the Soviet ballet troupe left for home Sunday without Mr. Aleshin. Members of the company declined to comment on Mr. Aleshin as they boarded an Aeroflot flight at Tokyo International Airport, The Associated Press reported, quoting the Kyodo News Service.]

U.S. officials said Saturday that Mr. Aleshin asked for political asylum and was turned over to the Japanese authorities, who transferred him to Tokyo and put him in "protective custody."

The U.S. Embassy refused to say if it was considering Mr. Aleshin's request for asylum, maintaining that the dancer's case was "now a matter between Japan and the Soviet Union."

However, Japanese officials said Mr. Aleshin, who is not well known in Soviet ballet circles, met with U.S. Embassy officials in Tokyo on Saturday and that his asylum request was "under consideration."

Mr. Aleshin also met separately with a Soviet Embassy official but reiterated his intention to defect, saying there is "no artistic freedom in the Soviet Union," a Japanese Foreign Ministry spokesman said.

The Soviet Embassy refused to comment on Mr. Aleshin's defection, which came as the Moscow ballet troupe was concluding a 10-day tour of Japan. The rest of the group returned to Tokyo from Sapporo on Saturday before and departed Sunday for Moscow.

Many Soviet dancers have defected to the West. In 1961, Rudolf Nureyev eluded Soviet security police and defected in Paris. Mikhail Baryshnikov sought asylum in the United States in 1974 at age 24 and has since become one of the leading ballet stars in the world. Natalia Makarova defected in London in 1970 and Alexander Godunov in New York in 1979.

Jackson Vows to Continue Fight For Policy Changes at Convention

By E.R. Shipp
New York Times Service

CHICAGO — At what was billed as his homecoming to the civil rights organization he founded nearly 13 years ago, the Rev. Jesse L. Jackson has vowed once again to fight for his positions at the Democratic National Convention this month.

The presidential aspirant, who has alternated on whether he would take a combative or conciliatory stance on the party's platform and rules, told of his current intentions Saturday in a speech at the headquarters of Operation PUSH. Mr. Jackson has taken a leave of absence from the organization while seeking his party's presidential nomination.

"The issue of fairness has not been resolved," he said, saying he would ignore rules that restricted the introduction of issues from the convention floor. Mr. Jackson did not say how he would accomplish this.

Proposals that were considered by the party's platform committee had to receive at least 25 percent of the vote to qualify as a minority report for debate on the convention floor. A Jackson proposal on the elimination of runoff primaries, strongly fought for by his supporters on the committee, did not get the necessary votes.

Mr. Jackson also announced that he planned to visit South Africa and the Soviet Union "before November" to carry out a peace initiative he began on his recent Central America tour.

More than 2,000 people, mostly blacks, jammed into the South Side headquarters of Operation PUSH to hear his address.

Mr. Jackson is critical of party rules that gave him fewer than 10 percent of the national delegates, although he won 19 percent of the votes cast in binding primaries. This issue heads the 10-point agenda he repeated in his hourlong address Saturday morning.

"Don't you want party unity, Jesse?" he asked rhetorically. "Yes, but not at all expense. Unity without justice is like sewing up a wound with the knife on the inside."

In an address before about 200 of his delegates and campaign supporters Friday night, he said: "We've earned the right to raise the issue without anybody's permission. We're not going to cut a deal to raise an issue. The convention has the right to vote it down, but I declare we will be heard."

Other issues on his agenda included commitments to peace, affirmative action, enforcement of the Voting Rights Act, creation of jobs, and the elimination of racial separation in South Africa.

Congress in U.S. Increases Funds For Conventions

WASHINGTON — The Senate and House of Representatives have voted to increase federal funding for the Democratic and Republican conventions by $1 million each, rejecting concern that the measure represented an "unfair subsidy."

In the House the vote Friday was 226-169, while the Senate approved the measure on a voice vote. Both houses then recessed until after the Democratic National Convention next month.

If approved by President Ronald Reagan, federal funding for the conventions would total $8 million. The money comes from the Presidential Election Campaign Fund, which is collected through voluntary $1 tax contributions on individual income tax returns.

"There is ample money in the kitty," said Representative Sala Burton, Democrat of California, who represents San Francisco.

Judge Suggests Letting Addicts Kill Themselves

By Al Kamen
Washington Post Service

WASHINGTON — A U.S. district court judge, frustrated over long-standing problems in dealing with drug addiction, has suggested that one answer to drug abuse would be to legalize heroin for addicts and "just let [them] kill themselves."

Judge William B. Bryant made the suggestion during a sentencing hearing June 19 for a Washington woman who pleaded guilty to obtaining the narcotic drug Percocet by using a forged prescription.

Mr. Bryant, who has served about 20 years on the bench, declined to send the woman to jail. He said she had been before courts in the past and "all to no avail."

"The only answer is that she be able to get whatever she's addicted to — that's the answer — without resorting to crime," he said, according to a court transcript. "It's like these heroin addicts in the street. If they could get their heroin without stealing and robbing somebody, that would be the answer."

"You eliminate organized crime, you eliminate corruption, and you just let somebody kill themselves, like you let these whiskey drinkers drink themselves to death, these smokers smoke themselves to death. I don't see the difference.

"Take the profit out of it, and you don't have all this other business: crowded court dockets, congested prisons, merchants who can't have their goods on display, and people who can't leave their homes over a couple of hours before they get robbed, and can't go out at night before they get their pocketbook snatched — all for the sake of trying to keep somebody who's addicted from getting what he's addicted to. I don't understand that. I don't know anybody else she's hurting."

Mr. Bryant ordered the 29-year-old woman placed on probation with the condition that she continue in a program for addicts that requires participants to be drug-free.

■ **Mrs. Reagan Joins Fight**

Nancy Reagan shared her husband's microphone Saturday during his weekly radio broadcast to speak out against drugs and alcohol, The Associated Press reported from Washington.

"Cocaine, PCP, marijuana, alcohol, speed — these are the enemies of our children. They're cunning and treacherous and oh, so very patient," Mrs. Reagan said. She said drugs and alcohol "are everywhere available and everywhere abused."

She said most parents "just didn't believe it could happen to their kids ... The wall of denial."

But she said people are "finally becoming aware of the terrible problem of drugs. Three years ago, there were only 1,000 volunteer parents' groups organized to fight drug abuse. Today, there are more than 4,000 and the number keeps growing."

Lillian Hellman, 79, American Playwright And Author, Is Dead

New York Times Service

NEW YORK — Lillian Hellman, one of the most important playwrights of the American theater, died Friday of cardiac arrest at Martha's Vineyard Hospital near her Massachusetts summer home. She was 79.

Among Miss Hellman's plays that have entered the modern repertory are "The Children's Hour" and "The Little Foxes." She was also a successful motion-picture scenarist. The three volumes of her memoirs were both critical and popular successes.

Vet the Hellman line that is probably most quoted came from a letter she wrote in 1952 to the now-defunct House Committee on Un-American Activities when it was investigating links between U.S. leftists and the Communist Party.

"I cannot and will ont cut my conscience to fit this year's fashions," Miss Hellman wrote.

Although she had participated with Communists in many causes, she was not a Communist. "Rebels seldom make good revolutionaries," she said.

Members of her mother's family were merchants of German-Jewish origin who settled in New Orleans, where sbe was born on June 20, 1905. Her father, Max, became a successful salesman in New York. An only child, Miss Hellmann spent her girlhood shuttling between Manhattan and New Orleans.

She studied at New York University for three years, then read manuscripts. Her marriage in 1925 to the writer Arthur Kober ended in a friendly divorce in 1932. By that time, she had met the writer Dashiell Hammett, with whom she would live off and on until his death in 1960.

Her first play to be produced, "The Children's Hour," about two women falsely accused of lesbianism, opened in 1934 and was an immediate hit. Although it was banned in Boston and Chicago, Miss Hellman earned $125,000 from its first run.

In 1936 she went to Spain, then returned to the United States to campaign for aid to the Loyalists in the Spanish Civil War.

Meanwhile, sbe was working on a play about a Southern family obsessed with money and power. "The Little Foxes." It was a hit on the stage and in the screen version, which Miss Hellman also wrote.

She bought an estate in Westchester County, New York, and converted it into a working farm. For 13 years, she lived on the farm and helped run it while writing plays, books and magazine articles.

When her anti-Nazi play, "Watch on the Rhine," opened in early 1941, the Communist press criticized her for supporting the Allies in what it then called the "phony war." The play was named the best of the year by the New York Drama Critics Circle.

Mr. Hammett was jailed in 1951 for refusing to submit a list of contributors to what the Federal Bureau of Investigation had branded a Communist front, the Civil Rights Congress, of which he was a trustee. He emerged with his health shattered. Miss Hellman received her summons the next year.

She offered to testify about herself but not about others. The committee did not choose to cite her for contempt, but she suddenly became an untouchable in the movies and the theater. Not until "Toys in the Attic" appeared in 1960 did her financial straits end. The play again won the drama critics' award.

UPI

Lillian Hellman

In the 1960s and 1970s, Miss Hellman worked on her memoirs: "An Unfinished Woman" (1969), "Pentimenio" (1974) and "Scoundrel Time" (1976). She sold motion picture rights to the section of "Pentimento" about Julia, a woman who risks her life to smuggle anti-Nazis out of Hitler's Germany, and it was made into a film in whicb Miss Hellman was portrayed by Jane Fonda.

Miss Hellman had criticized her friends Lionel and Diana Trilling for their writings on the Cold War, and a feud evolved between the two women, coming down to a "battle-by-interview."

In 1979, the novelist Mary McCarthy, in a television interview, characterized Miss Hellman as "a dishonest writer." Miss Hellman sued Miss McCarthy, the Educational Television Corp. and the interviewer, Dick Cavett, for damages of $1.75 million. At Miss Hellman's death, the case was still pending.

Marcos Includes Wife In New Cabinet Despite Her Setback in Election

By William Branigin

Washington Post Service

MANILA — President Ferdinand E. Marcos has announced a new government, retaining most of his cabinet, including his wife, Imelda.

The announcement Saturday ended speculation about the immediate political fate of Mrs. Marcos, who earlier had said she was renouncing all her official positions.

Mrs. Marcos was considered the big loser in the May 14 parliamentary elections. Opposition parties won 15 of 21 seats in Metro Manila, where Mrs. Marcos served as campaign manager for the New Society Movement, the government party.

Mr. Marcos said Saturday that his wife would continue as minister of buman settlements, one of 22 holdovers from his 27-member cabinet.

Those dropped included three ministers who lost elections and one, Manuel Elizalde Jr., who fled the country during the height of last year's political turmoil and has not been heard from since. Mr. Marcos sidestepped the sensitive issue of Mr. Elizalde's disappearance by merging his office, the Presidential Assistant for National Minorities, with another ministry under a new appointee.

Among those retained were the prime minister, César E. A. Virata, who also serves as finance minister, and Juan Ponce Enrilem, the defense minister.

The major change was the appointment as foreign minister of Arturo M. Tolentino, an assemblyman who has a reputation as a maverick for disagreeing with Mr. Marcos on a number of issues. Mr. Tolentino succeeds Carlos P. Romulo, who retired earlier this year because of failing health.

That appointment apparently angered the acting foreign minister, Manuel Collantes, who said he was joining a group of 30 assemblymen — some of them members of Mr. Marcos's party — to press for a review of the president's controversial decree powers. The main target of the review, he said, would be a constitutional amendment, ratified under martial law in 1976, allowing Mr. Marcos to legislate by decree.

Mr. Collantes was one of the majority of New Society Movement candidates elected to the National Assembly. Oppositioo candidates won 68 seats of the assembly's 200 seats and independents 16. More than than 50 are pending reviews by the Commission on Elections.

Asked about Mr. Collantes's move, Mr. Marcos said, "It's always a sad thing when a friend turns his back on you without even saying goodbye."

Although Mr. Marcos said his wife would continue as human settlements minister, there was no mention of her role as governor of Metro Manila, and she was not among the cabinet ministers present at the news conference for the formal announcement of their appointments.

The Human Settlements Ministry has been criticized for heavy spending and some opposition politicians are seeking to abolish it. Mrs. Marcos has been keeping a low profile since the election, which the president has said left her deeply disappointed.

However, she is expected to be back in the public eye this week to testify before a board investigating the assassination last year of Benigno S. Aquino Jr., the opposition leader who was shot last August as he was leaving a plane at the Manila airport.

The board is expected to ask her about comments she made before the assassination warning that Mr. Aquino would be killed if he returned from three years of self-exile in the United States.

■ **Court Lightens Sentence**

The Supreme Court on Sunday ordered the alleged leader of the Communist Party of the Philippines removed from more than six years of solitary confinement, calling it "cruel and unusual" punishment, United Press International reported from Manila.

The court ordered the military to give José Maria Sison "the opportunity to associate with other persons under detention" at Fort Bonafacio prison, where he has been held since his arrest on charges of subversion.

United Press International

John N. Turner after a meeting with Canada's governor general.

Turner, Taking Over From Trudeau, Moves First on Economic Problems

By Douglas Martin

New York Times Service

OTTAWA — John N. Turner was sworn in Saturday as the 17th prime minister of Canada in a private ceremony that euded a 16-year-long political era dominated by Pierre Elliott Trudeau.

Mr. Turner, until recently a corporate lawyer, pledged a more businesslike government and immediately announced the resignation of 13 cabinet ministers who bad served under Mr. Trudeau. He said he would meet with the full cabinet and senior ministers individually this week to discuss Canada's serious economic problems.

But Mr. Turner, 55, stopped short of announcing the large immediate changes that some politicans had anticipated. In particular, he ruled out appointing unelected ministers to senior jobs, a legal possibility in Canada but a move considered politically dangerous.

"I would need a larger mandate from the people of Canada to move farther than I have today," Mr. Turner said.

The new prime minister, who was selected as leader of the ruling Liberal Party earlier this month, is not himself a member of Parliament. He declined to discuss when he might call an election. He must set a date by early March.

In an unanticipated move, Mr. Turner said he would run in an electoral district in British Columbia. This, he said, is a demonstration of his commitment to increasing Liberal representation in western Canada. The ruling party currently holds no seats west of Winnipeg, Manitoba.

Mr. Trudeau, first elected prime minister in 1968, was the longest serving Western leader at the time of his resignation. His sometimes idiosyncratic sense of style was apparent in final comments to reporters Friday.

"I'll try to remain silent for most of the rest of this year," he said. "It depends on how provoked I get."

Uotil 1975, Mr. Turner served as a senior minister in Mr. Trudeau's government. He left after a dispute with the prime minister. Although Mr. Turner publicly praised his predecessor during his campaign for the party leadership as "the most outstanding Canadian of his generation," he took the opportunity Saturday to separate himself from Mr. Trudeau in several ways.

He said, for example, that he would meet with the press more often. He has also given cabinet members more power, while cutting the size of the cabinet from 37 to 29.

He also made a quip about his long absence from politics, and perhaps the dispute between him and Mr. Trudeau. When asked how he felt while being sworn in, he said, "I suppose I didn't reject from my mind certain ironies of the situation."

Mr. Turner's decision oot to look outside the government for top aides at this time meant that be retained a oumber of Mr. Trudeau's ministers. Marc Lalnnde, for instance, will continue as finance minister.

Jean Chrétien, the energy minister who was Mr. Turner's strongest challenger for the Liberal Party leadership, was named deputy prime minister, secretary of state of external affairs and senior minister for Quebec. For more than a week, Mr. Turner had been negotiating with the popular Quebecer to secure his support in a new administration.

Mr. Turner praised Mr. Chrétien on Saturday, calling him "my most important collaborator."

Politically, the new leader's most urgent political task is to determine an election date. Some politicians suggested that the decision not to name unelected ministers indicates a later election, perhaps in November.

Only five members of Parliament were promoted to cabinet rank. The others are familiar faces, with precedence clearly given to those who supported Mr. Turner.

For instance, Lloyd Axworthy, Mr. Turner's campaign manager, was made Liberal political chief for the entire West in addition to retaining his post as transport minister. Industry Minister Ed Lumley, Labor Minister André Oullet and Consumer Minister Judy Erola were all given expanded powers.

Whenever an election is called, the Liberals will be up against the Progressive Conservative Party led for the past year by Brian Mulroney, a former businessmao. Just as the Liberals are trying to gain in the West, the Tories are concentrating on picking up seats in Quebec, where they now hold only one of 75 seats.

The promise of Mr. Turner to run in British Columbia thus represents a challenge to Mr. Mulroney to run in his native Quebec. So far, the Tory leader, who was elected to Parliament in a by-election to a safe seat in Nova Scotia, has been reluctant to say where he plans to run.

Exile Says Letter From Soviet Shows Sakharov's Wife Is in Good Health

United Press International

MUNICH — A Soviet exile says he has received a letter from Moscow containing the first indication that the wife of the Soviet dissident Andrei D. Sakharov has ended a hunger strike and is in good bealth.

"It says Yelena is going every day to the bakery in Gorki in the company of two other persons," the exile, Cronid Lubarsky, said Saturday of Yelena G. Bonner.

He said the "two other persons" were probably agents of the KGB, the Soviet secret police and intelligence agency, who would prevent her from making contact with outsiders.

Mr. Lubarsky, a Munich resident, said the letter made no mention of Mr. Sakharov, who reportedly began a hunger strike May 2 to protest the Kremlin's refusal to allow his wife to go abroad for medical treatment. Mrs. Bonner joined the strike about a week later.

Mr. Sakharov, who won the 1975 Nobel Peace Prize, has been restricted to Gorki by the Soviet authorities since 1980.

Mr. Lubarsky said the letter had been passed to him by "very reliable friends" in the West who were in touch with the writer of the letter in Moscow.

Formerly an astrophysicist in the Soviet Union, Mr. Lubarsky was imprisoned for political offenses but was allowed to travel to the West after being named by Amnesty International, the London-based human rights organization, as a "prisoner of conscience."

■ **U.S. Rejects Soviet Charges**

Celestine Bohlen of The Washington Post reported from Washington:

In a continuing clash over buman rights policies, the U.S. State Department has rejected recent assertions in the Soviet press about the treatment of the imprisoned American Indian activist, Leonard Peltier.

A department statement characterized the Soviet reports as an attempt to deflect Western criticism of Soviet treatment of Mr. Sakharov and his wife.

In recent articles, Soviet journalists have alluded to a bunger strike by Mr. Peltier, 39, who was convicted in 1977 of the murder of two Federal Bureau of Investigation agents on an Indian reservation in South Dakota two years before.

Last week, four Nobel Prize winners from the Soviet Union wrote a letter to President Ronald Reagan, saying that Mr. Peltier's days are "numbered" and urging Mr. Reagan to "show the bumaneness that you want to see in others."

Mr. Peltier "is not currently on a hunger strike and, in stark contrast to the cases of Dr. Sakharov and Mrs. Bonner, his buman rights are not being violated," the State Department said in a statement last week.

His conviction was challenged in a 1983 book by Peter Matthieson and has become a cause among civil rights groups in the United States and abroad. In 1981, Amnesty International cited Mr. Peltier's case for "governmental improprieties" and called for an independent investigation.

In April, Mr. Peltier, who has been held in the maximum-security federal penitentiary in Marion, Illinois, began a bunger strike, apparently to protest the suspension of communal religious activities at the prison. He is now in the Medical Center for Federal Prisoners in Springfield, Missouri, where he ended a second bunger strike May 24.

French Woman Sues to Get Sperm And Bear Her Late Husband's Child

By E.J. Dionne

New York Times Service

PARIS — A French woman has gone to court to obtain the sperm deposited in a sperm bank by her late busband so that she can have his child.

Corinne Parpalaix, 23, argues that sbe has a moral and legal claim to have her husband's child. But the sperm bank contends that it has no right to give up the dead man's sperm and is fighting the claim.

The case has raised a series of complicated legal questions here.

Mrs. Parpalaix met her late husband, Alain, in August 1981. At the time, Mr. Parpalaix was in the early stages of testicular cancer.

He was told that his only hope for survival was chemotherapy, but that the treatment might leave him sterile. So be decided to deposit his sperm at the Center for the Study and Conservation of Sperm in Kremlin-Bicêtre just outside Paris.

The cancer went through a period of remission, but then got worse.

In December 1983, the couple were married. Mr. Parpalaix died on Christmas Day.

With the encouragement of Mr. Parpalaix's family, Mrs. Parpalaix wrote to the sperm hank and asked for her busband's sperm so that she might have his child.

But the center said there was no law governing what should be done with a dead man's sperm and asked that the case be turned over to the secretary of state for health, Edmond Hervé. The ministry has not yet ruled on the case, and Mrs. Parpalaix went took the matter to court.

Lawyers for the sperm bank argue that its only legal obligation is to return the sperm to the donor. Catherine Palley-Vinceot, the bank's lawyer, contended that sperm was in effect an indivisible part of a person, and could not be inherited as a material object would be.

She also contended that there is not sufficient proof that Mr. Parpalaix deposited his sperm with the intent of having a child with Mrs. Parpalaix, who was his girl friend at the time he donated the sperm.

"Artificial insemination is practiced only to overcome male sterility," Mrs. Palley-Vincent said. "Giving hirth is not a therepeutic matter" and the aim of sperm banks "is strictly therpeutic."

For its part, the Health Ministry has generally held that both partners should consent to artificial insemination, and should thus both presumably be alive.

But Paul Lombard, the lawyer for Mrs. Parpalaix has made a dramatic appeal that Mrs. Parpalaix be given the chance to have her busband's child. He asked the court to rule "that a deceased man has the right to breath life into the womb of his wife and prove that love is stronger than death."

Mrs. Palley-Vincent bas argued that beirs have no more right to sperm than they would to the body of a deceased family member.

"But the sperm is not part of the body, it's not an organ," Mr. Lombard countered. "It's something that's in a test tube."

"It's a completely new problem that's oever come up in French law," he said. "In other countries, it's very vague too."

Supporters of the bank's position have also argued that it is not right to bring a child into the world whose father is dead.

A further legal wrinkle is that under French law, the child in this case would apparently be illegitimate. French law bolds that in order to carry the father's name, a child must be born fewer than 300 days after the father's death.

The case is expected to be decided at the end of July.

"If we win this case," Mr. Lombard said, "this myth that men and women have carried around of extending their life after death will become reality."

Economic Policy Eased in Tibet

The Associated Press

BEIJING — China has announced flexible, oew economic policies for Tibet, designed to double family incomes in five years.

The official news agency Xinhua reported Saturday that individual contractors in Tibet can decide what to raise or sell without government quotas. Those who plant trees or grass on wasteland or river banks can take ownership of the land and transfer it to others.

Tibet, a land of 1.9 million people, lags behind much of the rest of China economically. Per capita income was 216 yuan ($96) last year, compared with 310 yuan for peasants elsewhere.

South African Cleric, on U.S. Visit, Fears Arrest on His Return Home

By Lexie Verdon

Washington Post Service

WASHINGTON — A South African clergyman who appeared at a press conference last week with Senator Charles H. Percy, Republican of Illinois, to describe the torture he suffered while in prison in a black tribal homeland has been warned by relatives and church officials in South Africa that he may face a bleak bomecoming.

The Rev. Tshenuwani Simon Farisani, a dean of the Evangelical Lutheran Church in South Africa, said Saturday that police agents went to his home last week following his statements in Washington. They asked his wife when be would return and promised to visit the bouse every day until then.

Mr. Farisani, who was in New York over the weekend, said the men were members of the police force of Venda, a small, remote territory given nominal independence from Pretoria four years ago as part of a plan to strip all blacks of their South African citizenship.

Regina Farisani, reached by phone at her home in Venda's major town, Sibasa, said that the two officers did not threaten to arrest her busband but that she was worried about his safety when he returns. She said she recognized one of the officers as being part of a group of men who arrested Mr. Farisani on Nov. 18, 1981.

Despite fears that he could be arrested again, Mr. Farisani said he planned to return home this week. He added: "I cannot say that this is something I take lightly."

Martin Sovik, the assistant director of the office of government affairs for the Lutheran Council of the U.S.A., said that church officials have contacted the State Department for help in securing the reverend's safety in Venda. The State Department has directed the ambassador, Herman Nickel, to look into the situation, he said.

Mr. Farisani has been arrested three times in the past five years and he has spent a total of 372 days in detention. His last arrest, in 1981, was part of a major police sweep in which 18 prominent people were detained after an attack on the Sibasa police station.

It was during that detention, Mr. Farisani said, that police torture was the most brutal. It included beatings that left him unconscious and shock treatments that led to a series of heart attacks. The authorities also demanded a statement from him admitting involvement in the bombing. He says he was never formally charged with a crime, although he was detained by police until June 1982.

Mr. Farisani and two other Lutheran churchmen sued the Venda government after their release from prison and received a settlement out of court this spring.

U.S. General Links Nicaragua, Drugs

The Associated Press

SAN SALVADOR — Leaders of Nicaragua's government are involved in drug trafficking in the region, said Lieutenant General Paul F. Gorman, head of U.S. Army forces based in Central America.

General Gorman made the allegations Friday night during a speech to an American Chamber of Commerce meeting in San Salvador.

Departing from his prepared text, General Gorman said that drug traffickers buy off governments, and are conduits for subversion and that "the commanders of Nicaragua are deeply involved in these movements in the region." He refused to elaborate.

Pontiff Tells Mauroy Of Concern on Schools

The Associated Press

VATICAN CITY — Pope John Paul II has told Prime Minister Pierre Mauroy of France of his concern over French government efforts to gain more control over private schools, the Vatican has reponed. Most private schools in France are Roman Catholic.

After the 35-minute meeting Saturday, the Vatican issued a statement saying the two men discussed private schools and other subjects.

Special Parliamentary Session Called on French School Issue

The Associated Press

PARIS — President François Mitterrand has ordered botb houses of the French Parliament into extraordinary sessiou beginning Monday, pressuring the opposition for quick and relatively painless passage of a law on private schools.

The special session ordered Saturday has no time limit, and July marks the beginning of France's two-month summer holiday period. The special session puts pressure on opposition senators to act quickly or risk losing their own vacations.

The school bill would increase direct state participation in private education, which is heavily subsidized by the government. Last week, a crowd estimated at 800,000 by the government and up to two million by organizers marched through Paris to protest the proposed law.

Conservatives and the Roman Catholic Church, which runs almost all private schools in France, see the measure as an attack on freedom of educational choice. For the governing Socialists and their junior partners in government, the Communists, the proposed law appeared to be a partial fulfillment of their 1981 campaign pledge to create a "unified, secular" educational system.

In general, the measure would give private school teachers six years to decide whether to become state employees. In schools where the percentage of teachers who were state employees fell below 50 percent eight years from now, public financial support would be phased out.

LETTERS TO THE EDITOR

(Continued from Page 6)

haps, to a less painful exit out of the present impasse.

A. Writing off all interest.

B. Shrinking the size of existing loans to correspond to the capacity of each country in debt, and have them rescheduled in order to make them commerically serviceable.

C. Strengthening the International Monetary Fund to cope in the short term with any balances left unsettled, resulting from the implementation of case B. In this way the interested banks will acquire enough funds to restore their solvency and make further use of these funds under purely banking criteria.

D. The issuiog by the IMF of long-term bonds at a nominal rate of interest for a sum equal to the unsettled balances in case C. These bonds are to be underwritten by the banks that have received the money from the IMF in proportion to their exposure.

After maturity and repayment of the above bonds, proceeds should be handled by the IMF after agreement between the IMF and various governmental or semigovernmental bodies in accordance with their financial and political involvement.

CHRISTOS G. ACHIS.
Former Governor,
National Bank of Greece.
Athens.

3 Debt 'Culprits'

Regarding the opinion column "The Banks' Loan Binge Bought Some High Life" (June 14) by Martin Mayer:

It is quite true that some of the money received by my country, Argentina, "bought some high life." Much more was miserably misspent either in pharaonic and "nonpriority" projects or, worse, on arms to wage war against Chile (almost) and Britain or to murder our own citizens. But the basic problem is how to reduce this debt from now on.

There are three culprits: The Argentine people, who are responsible for their own abominable governments; the U.S. government, which gave its approval to many loans based on "convenient political judgment;" the foreign banks who made lots of money by giving unbelievable amounts to a country whose total trade balance cannot even pay the interest on the loans.

Whatever the outcome, the Argentine people will be economically penalized during a generation or more for this situation. If the U.S. government decides to give some help — a low interest rate or some other gimmick to support our first serious effort toward democracy in the last 50 years — it will be a good investment for the U.S. taxpayers.

But it should definitely be the large U.S. banks, whose reckless attitude toward my country are the real causes of the present chaos, who should be obliged to font the largest part of the bill.

JORGE HELFT.
Paris.

Reform at UN

Since nuclear armament is a world problem and not a national or political-party one, it can only be solved at a world level or within the United Nations. A first condition for such a solution is a fundamental change in the organizational structure of the United Nations so that it can evolve from a powerless debating society into a credible, assertive assembly which will be able to legislate as a supranational government and enforce its decisions on any member-state.

Formally seen, this fundamental reorganization could be affected simply by convening a general conference to revise the UN charter. Article 109 of the charter explicity provides for this.

However, the vital question is whether the political will exists to take this initiative. Are the present UN members inclined to abandon their nationalism and special privileges such as the right to veto? Are they prepared to subordinate their national policies to those of the United Nations? Will they give up their complete disregard for UN charges and judgments?

To reach the necessary political willingness, which inevitably must lead to total (nuclear) disarmament and world peace, I advise the peace movements on either side of the Iron Curtain to devote themselves first of all to the reorganization of the United Nations.

WOUTER ter HEIDE.
Zwolle, The Netherlands.

The 'N' in Pakistan

In response to the report "Cranston Says Pakistan May Produce Nuclear Bombs Within 3 to 5 Years" (June 22):

For many years the Western press has been publishing sensational reports about the imminence of a nuclear explosion by Pakistan. All such reports have proved false. And yet the mischief-makers do not give up. If Senator Cranston and others like him are sincere about nuclear nonproliferation, they should concentrate on countries such as Israel and South Africa rather than on Pakistan, which has repeatedly assured, at the highest level, that it is not engaged in developing nuclear weapons.

MUKARRAM ALI.
London.

From Trudeau,
mic Problems

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

Toward a Debt Solution

There appears on this page today an essay proposing the creation of an Alliance Fund as a means to de-escalate the increasing sense of crisis that surrounds the international debt problem of developing countries. The proposal merits serious consideration by official and private creditor institutions.

It is important that the recent meeting of the major Latin American debtors in Cartagena, Colombia, receive a studied reply from the creditors. No response would appear to be brushing it away, as if it never happened. And that would be a mistake.

The Latin governments are under tremendous pressure — from their electorate for a better life, and from their creditors for an improved economic performance. In the long run, compliance with the austerity programs required by the International Monetary Fund may indeed lead to a better life for the citizens of those countries.

But in the short term, policy-makers in creditor countries must recognize that the adjustments they are demanding represent a tremendous sacrifice in daily living conditions that no government in the industrialized countries would dream of implementing over so short a period.

It is time, therefore, for new initiatives. The $20 billion proposed to start the Alliance Fund is admittedly only a drop in the bucket relative to the $400 billion owed by developing countries to private creditors — mostly commercial banks.

Still, the proposed Alliance Fund is equal to half the paid-in capital of the World Bank, and it is about equal to what the IMF has actually laid out in assistance over the past two years. It would be $20 billion of long-term finance that would otherwise not be available. Ideally, it would depoliticize the debt issue.

Most important, it would be a demonstration that the will exists to find solutions equitable to both lenders and borrowers.

INTERNATIONAL HERALD TRIBUNE.

What Kind of Europe?

When an international quarrel over money drags on for years, at a rising cost to political reputations, you can assume that more than money is at stake. Britain joined the European Community more than a decade ago, knowing the financial formulas were adverse to its interest but assuming that something would be worked out. Unfortunately, all attempts at a solution seemed to exacerbate the deeper differences between the British and their continental partners — particularly the French.

The French sometimes suspected Britain of trying to abandon the political purposes of the Common Market altogether and attempting to turn it into merely a free trade zone. The British, with their highly efficient agriculture, deeply resented the price being extracted from them to support the continent's tradition of highly protected farming with its inordinate costs and huge surpluses. The British, feeling poor, wanted to fix the community's budget deficit by cutting the budget; the continentals, most of them much richer, were prepared to raise taxes. For the past five years, because these differences touched everything else that the community wanted to do, it made very little progress on anything at all.

The dispute has now been resolved, more or less to everyone's satisfaction. The credit goes, above all, to the president of France, François Mitterrand. But what made this solution possible? The explanations are a reminder that the purposes holding this economic community together are not, at bottom, economic at all. The French worry that the West Germans, at some point in the future, may drift off toward neutralism and the romantic dream of reunification with East Germany. For their part, the Germans fear isolation from the other Western democracies. The community is the structure that holds Western Europe together, and not even the British are prepared to accept the consequences of allowing it to collapse.

The governments that worked out the financial settlement clearly intend it to be part of a concerted effort to begin moving their 10 countries toward a closer unity. They announced the settlement in a statement in which they also spoke of creating a European passport, and perhaps a European flag. They suggested organizing European sports teams — for the 1988 Olympics? — and twinning school classes across national boundaries.

A long time ago the greatest of the community's architects, Jean Monnet, warned that either it must maintain momentum toward unification or it will ultimately fall apart. Having had the opportunity to reflect on the alternative, the people running the European democracies have now decided to have another try at building Europe.

— *THE WASHINGTON POST.*

Drilling Closer to Home

There is a long list of necessary projects that everyone favors somewhere else — things like prisons, mental hospitals, drug clinics, waste-disposal units, power plants. Now please add a national necessity: offshore oil drilling. Congress is all for it off other people's coasts.

American oil production continues to decline and dependence on oil imports is once again rising. The trend toward ever greater vulnerability cannot be inexpensively reversed. It probably could be slowed, though, by a vigorous effort to develop the most promising U.S. oilfields. But they are mostly offshore, along someone's favorite coastline.

Congress and the Carter administration tried to do just that in 1978 by streamlining the leasing program for the outer continental shelf. They sought maximum development with a minimum disruption of the environment. But legal challenges by state governments and environmental groups stalled the program. By the time these were beaten back, the 1979 oil shock had faded and James Watt had become secretary of the interior.

Then the opponents of offshore drilling capitalized on public indifference and on resentment of Mr. Watt's attitudes about conservation. With little discussion and no recorded votes in Congress, they pressed a law barring the Interior Department from leasing any of some 52 million acres (21 million hectares) offshore. Now a House committee is considering another year's moratorium, covering prime sites off California, Alaska and Massachusetts.

Its sponsors cite the big oil spills off Santa Barbara, California, in 1969 and off the Mexican Gulf coast in 1979. Why risk populated or ecologically fragile coasts, they say, when oil is available elsewhere?

There surely is some risk of damage. But the technology of containing spills and vigor of regulation have come a long way since Santa Barbara. No serious spill has marred the harvesting of four billion barrels from 12,000 drilling rigs in U.S. waters since 1970. Statistically, tankers bearing imported oil now pose a much greater environmental danger.

Nothing Congress can do to the offshore oil program this summer will affect energy supplies in this decade. The easier sites, like those off Southern California, need five years for development; Alaska's would take at least 10 years. But if the nation fails to push ahead now, the almost certain shortages of the mid-1990s will surely be more severe.

— *THE NEW YORK TIMES.*

Other Opinion

The Growing Doubts in Iran

Although it seems unlikely that Iraq can win the war in the sense envisaged by President Saddam Hussein when he started it, he can be less fearful of losing it than he was a few weeks ago. The expectations aroused by the latest Iranian call to arms has not been fulfilled. For the first time since the revolution the [Iranian] leadership is having its authority questioned. It was certitude which caused the ill-trained and ill-armed Iranian troops to hurl themselves at Iraqi defenses. When certitude gives way, ever so slightly, to doubt, a simple moral crusade becomes a difficult military operation about which there can be more than one professional opinion. The Iraqis say they still expect the offensive to take place, and if it does the balance may shift back again. Even so, with every passing day Iran's secret weapon — religious fervor — is losing potency.

— *The Guardian (London).*

FROM OUR JULY 2 PAGES, 75 AND 50 YEARS AGO

1909: China Explorers Said in Danger

PEKING — Telegraphic advices to the American and British legations are construed to indicate a possibility of further trouble for Robert S. Clark's party if it continues its explorations in Kansu. Details of the killing of the Sikh attaché are meager, but the reports indicate popular excitement. Despatches to the British legation announce the find of the body of the Sikh, much mutilated. Mr. Fletcher, the American chargé d'affaires, has telegraphed to Mr. Clark urging the party to return. This was at the insistence of Mr. Clark's brother in New York. No response has yet been received, but this is not necessarily ominous. Nevertheless, in view of the contentions, the authorities are insisting that the party leave the scene as soon as possible.

1934: Nazis Execute Ex-Chief of Staff

BERLIN — Ernst Roehm, former chief of staff of the National-Socialist Party storm troops and ringleader of the revolt against the Hitler dictatorship, has paid for his rashness. In a [July 1] statement announcing that the chancellor's one-time intimate friend has been executed, but mentioning neither the time nor the place, it is simply stated that "former Chief of Staff Roehm was given an opportunity to take the consequence of his treasonable action. He did not do it and therefore was shot." Presumably Roehm was executed at Munich, where he was arrested [on June 30]. Whatever may be said of Roehm's moral character, he was a man of great physical courage and he characteristically refused to do the Nazis the favor of taking his own life.

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An 'Alliance Fund' Could Help Solve World Debt Crisis

By Philippe Duvieusart

BRUSSELS — With the London summit of industrial democracies and the Cartagena, Colombia, meeting of Latin American debtors, two important pages were turned in the evolution of the international debt problem. There is a wide consensus today on the following points:

■ What has been done about the debt problem in the last two years was done well, but new approaches must be found;

■ Economic expansion should be sustained in the industrial democracies, and these countries should keep their borders open to the products of the developing countries;

■ Interest rates should be lowered, largely through a reduction in the U.S. budget deficit;

■ Debtor countries' problems should continue to be solved on a case-by-case basis. But the International Monetary Fund must be put in a position to propose more forcefully — and to assist with larger resources — adjustment programs that leave room for growth, especially in debtor countries with democratic regimes. To this effect a dialogue must be established between the IMF, the governments of industrial countries and the governments of problem debtor countries;

■ Full service of the outstanding debt is not possible, even with new reschedulings, unless a significant new ingredient is added.

□

Henry A. Kissinger (*"Solving the Debt Crisis: What's Needed Is Statesmanship," IHT, June 25*) invites governments "to establish criteria for allocating the costs of stretching out the debt between those who took unwise risk and the public interest in maintaining a vital banking system."

Most observers seem to believe, and probably rightly, that governments and banks from creditor countries will have to make financial sacrifices to return to a healthy situation. They also believe that with the awareness of how costly the lack of a solution would be, the substantial financial resources required to solve the debt problem can be gathered.

Yet there is a basic difficulty that has not adequately been spelled out: how to solve the debt problem in a lasting way without spoiling the debtors, without loosening the rules of international financial relations and without stripping the international credit market of its credibility.

How can one solve today's problems without creating a dangerous precedent and without depriving tomorrow's developing world of the large financial flows required for its own benefit, as well as that of the industrial world?

If commitments are not fulfilled today — not even with the forced consent of creditors — how can one expect the large credits that will be required tomorrow to be extended to governments that see little difference between a loan and a gift?

□

Points on which there is wide consensus should be implemented: economic activity and open-door trade policies should be sustained in the industrial world, lower interest rates should be worked for, individual approaches should be taken on problem countries and new reschedulings should be arranged when required. New financings should, of course, be directed exclusively to sound projects and to sound programs, and borrowings should stay within the limits of future repayment capabilities.

But a substantial new element should be brought into the picture: a large pool of resources to be gathered in an international agency. This might be called the Alliance Fund to emphasize the will to avoid confrontation between a debtors' club and a creditors' club. The Alliance Fund would be managed by the IMF, probably with the cooperation of the World Bank and of the Bank for International Settlements.

Shareholders of the Alliance Fund would be the governments and export credit insurance agencies of the industrial democracies and of the richer OPEC countries, with a 40-percent share; international development aid agencies (all creditors should contribute), with a 20-percent share, and the creditor banks of the industrial countries, with 40 percent.

Contributions by the latter would be proportional to their exposure in problem debtor countries and presumably would have to be made compulsory by their governments. The Alliance Fund would extend long-term soft loans — say, 25-year terms with 10-year grace periods and 2-percent to 5-percent interest rates — within the framework of adjustment programs agreed upon between the IMF and the debtor countries.

To be effective and credible, the Alliance Fund should have a subscribed capital of $20 billion or more, to be called up progressively as required. This is a large amount, but put it in perspective: It is not more than the estimated 1984 net transfer of funds from Latin American countries to their lenders, it is less than three times the amount of short-term funds made available to bail out Continental Illinois, not much in comparison to the high amounts of write-offs and reserves carefully made over the last two years by creditor banks on their foreign loans, and very little indeed compared with the damages that an international debt catastrophe would cause. Data Resources Inc. estimates that a moratorium on their debt by Argentina, Brazil, Chile, Peru and Venezuela, would cost the United States alone $95 billion in gross national product.

So the proposed program would:

■ Provide the IMF with adequate means to achieve its objectives and to more effectively and fully assume its role of advice, aid and supervision.

■ Provide debtor countries with the financial assistance and the political arguments and support needed to implement the required austerity programs, leaving room for at least minimum growth;

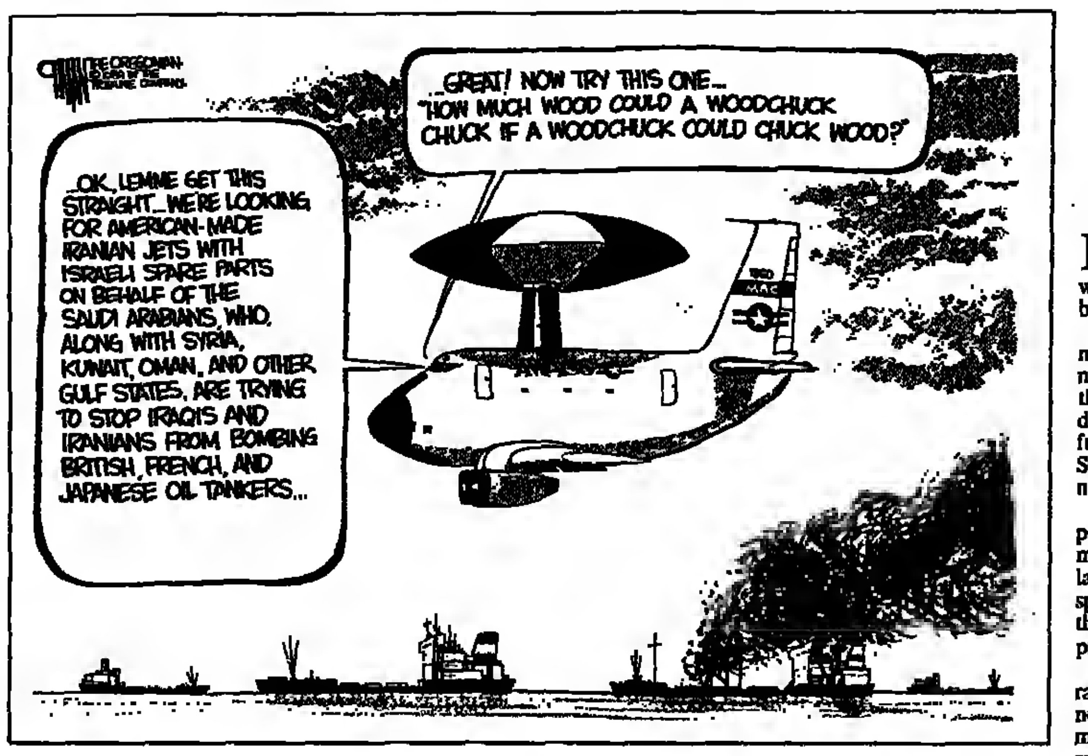
■ Let banks avoid political involvement and concentrate on banking, trade and other financing, including needed negotiations of rescheduling programs on a commercial/financial basis. The improvement in the quality of the banks' loan portfolios and the resulting possibility to cancel or avoid write-offs on foreign loans should largely compensate the banks for their contribution to the Alliance Fund.

■ Remove the Sword of Damocles of a major debt catastrophe, without spoiling the financial atmosphere of the future, without institutionalizing defaults, formal or de facto repudiations and huge loan write-offs, and without breaking the mechanisms governing the trade and financial relationships between the developing world and the industrial world.

■ Meet the wish so widely expressed that all parties concerned share the costs and efforts required to reach a solution while avoiding a dramatic confrontation.

Such a solution to the debt problem would be costly, but certainly much less so than the lack of it.

The writer, a former staff member of the IFC-World Bank and later director of Kredietbank Luxembourgeoise, is an adviser to the Socfin Group, a private Belgian investing company. He contributed this personal comment to the International Herald Tribune.



Israel's Economy: Reform Is Difficult

By Joyce R. Starr

This is the second of two articles.

WASHINGTON — While leaders of Israel's ruling Likud coalition and the opposition Labor Party may disagree vehemently about the future of the West Bank or the Israeli troop presence in Lebanon, they seem to concur that the only cure for Israel's economic woes is a strategy that stimulates exports, reduces imports and reigns in government spending.

"The formula is obvious," said Gad Yaacobi, who would be finance minister under a Labor regime. "The point isn't the plan, but whether the minister has the power to implement it. The Likud had four different ministers of finance in seven years, with eight different policies, and none of them were able to do the job."

He said he is not fighting for the portfolio because the next finance minister "will be, de facto, a kamikaze." But if he is asked? "With the correct approach, we could reduce inflation to 85 percent in two years, and in six years we can restore the economy to a healthy footing, cutting inflation to 25 percent."

Such optimism seems surprising. But it reflects the fact that Israelis, irrespective of their political leanings, tend to maintain almost a zealous confidence in the country's export potential in high-technology fields.

Israel's advantage in this area "will have to carry the responsibility for our future growth," Commerce Minister Gideon Patt said recently. "About seven years ago we began to change directions from industrial manufactured goods to high technology, which was less than 3 percent of our industrial exports in 1965." By last year, he added, the figure had passed 35 percent.

Mr. Patt said the goal is for high-tech production to account for 55 percent of industrial exports by 1990 and for the current work force of 50,000 in the sector to increase fourfold. Based on the calculation that a high-tech employee produces $40,000 a year, as compared with the industrial worker's $15,000, the shift could add $2 billion yearly to the nation's export earnings.

In fact, figures for the first quarter of 1984 showed exports up by 9 percent over the same period in 1983. No less important, imports were down by 4 percent.

"The positive side," said an Israeli economist, "is that our civilian goods and services deficit, which grew from $1.4 billion in 1977 to $4 billion in 1983, is contractable. Sure it's great to have video recorders in every home, but we can learn to suffer without them."

"The people feel guilty," suggested a Labor candidate, that they did not earn a 27-percent rise in private consumption over a three-year period.

But if the latest round of strikes are an indication, pangs of guilt have been submerged in anger over an erosion in real wages that reached 15 percent the last quarter of 1983. Many middle-class workers insist that their loss in earnings was almost twice that amount.

One of the most difficult challenges facing the party that wins the majority vote in the July 23 elections will be to reach a "social contract" between government, employers and the Histadrut labor federation to reduce gradually the country's infamous indexation system.

"Our problem," said an Israeli banker, "is you can never make the people poor, because a high percentage of their savings is held in assets linked to foreign exchange rates or to the consumer price index." Now roughly 80 percent, Israel's indexation albatross also makes income policy all but impossible.

No party official seems to be willing to be quoted on the subject, but privately most are quick to admit that the indexation system must be changed. Yet, this hinges on public confidence in the incoming government.

What if the party that wins the upcoming election fails to bring the economy rapidly under control? "Israel is the only country in the world whose leaders keep devising creative ways to destroy the economy," said an Israeli general. "But the infrastructure survives."

The writer is director of the Near East Program of the Center for Strategic and International Studies of Georgetown University. She contributed this comment to the International Herald Tribune.

Impotence, Fatigue Haunting the West

By Flora Lewis

PARIS — The European Community is over the immediate hump, with last week's compromise on the budget. But is it going any further?

The only real argument for optimism is brinkmanship. The community's prospects have gotten so bad that they had better get better, or face disaster. For now, Britain remains a full participant, and admission of Spain and Portugal is promised (but not guaranteed) for 1986.

On the surface, enlargement appears as progress. Europe still has a magnetic field. But it observes the laws of physics, weakening as it spreads. Perhaps the best measure of the slide to decay is the long list of proposals for salvation.

They range from the trivial to the radical. They ring with desperation, no longer with enthusiasm, excitement, conviction. On one level, a European flag, a European anthem and a European passport have been suggested to a committee that is to make recommendations. But the issuance of a passport, and even its color, was formally endorsed a decade ago only after long haggles and it still hasn't actually happened. Symbols no longer move skeptics.

Substance could, but it seems beyond grasp. Words that would have been electrifying 10 or 15 years ago drop with scarcely a tingle. France's president, François Mitterrand, proposed a permanent political secretariat for the European Council, the representatives of governments who are the community's true executives and the demonstration of its lack of unity.

It is not a new idea. When it was put forward a generation ago France set the condition that the secretariat be established in Paris. Charles de Gaulle was president then, adamantly opposed to the admission of Britain and also to supranationalism. His requirement was seen as an attempt to give France political domination of the community and shape it to his national purposes.

The others refused, and he vetoed the plan. Mr. Mitterrand has not specified whether he has abandoned the old requirement. If so, it would be a change of historic policy, but too late to be dramatic. French pretentions to sole leadership of Europe, to be the political brains atop West Germany's economic brawn, have been shredded by time. Now, a political secretariat would be a convenience, hardly a momentous breakthrough.

Helmut Schmidt, West Germany's former chancellor, has gone much further. He urged French-German defense integration, with Germany accepting the major conventional burden and France extending its nuclear-protected "sanctuary" to West Germany. No one even bothered to attack such a far-reaching challenge to hallowed national sovereignty and French independence. Apparently, nobody took him seriously. The storms of yesteryear no longer provoke a ripple.

Mr. Mitterrand has made a very deliberate effort to stress the French-German core of the whole European idea, as a hedge if Britain had paralyzed the community by refusing a budget compromise and as the impulse to advance if advance is possible. He chose his speech at Volgograd, formerly Stalingrad, to make clear that the Russians and everybody else must count on French-German reconciliation as a new fact of history, at least as immovable as the new map imposed by the Russians on postwar Europe.

But somehow, all these gestures of statesmanship are falling flat, without much response. These are peculiar times. Leaders are aware of dreadful dangers. There is talk of 1914 and the stupid way nations stumbled into war they had not planned. There is talk of 1929 and the terrible way unpayable debts and irresistible protectionism brought the whole world's economy to crash.

Some steps are taken when the brink is too near, in Europe, in Washington, in Moscow. The United States and the Soviet Union have exchanged proposals to talk about space weaponry in September, an urgent issue if technology is not to overwhelm policy instead of serving it. Still, it sounds more like drawing back a pace or two from a terrible chasm than like a turn toward a vital new direction.

For all America's notion of renewed vigor and resilience, there is a general atmosphere of impotence and fatigue. Firm old decisions are being opened to question, such as European unity, the solidity of the Western alliance, the possibility of keeping violence out of East-West relations. But no alternatives can be found.

European governments are weak and their people disgruntled. In the last two weeks, for example, Mr. Mitterrand had two big foreign policy successes, in the Soviet Union and at the European summit, and two big domestic setbacks, in European elections and the protests against planned educational reform. They do not balance. The negatives resound.

Cynicism feeds itself. Drift is contagious. It will take energy now to move the Western world, not just last-minute hops away from crisis.

The New York Times.

A Sharper Definition of 'Terrorism' Is Needed

By Charles Maechling Jr.

WASHINGTON — Bombings and kidnappings in Lebanon and gunfire from the Libyan Embassy in London have put terrorism back at the top of the international political agenda. At the summit meeting in London, Western heads of government issued a guarded statement of condemnation. President Ronald Reagan has asked 26 federal departments and agencies for new counterterrorist options and has sent Congress a legislative package aimed at strengthening antiterrorist provisions in the federal criminal code.

All told, the latest spate of high-level attention may plug a few loopholes but is not likely significantly to diminish the threat. For one thing, the security infrastructure to fight terrorism is in place and operational in most civilized countries. There is hardly a terrorist crime imaginable that is not covered in the statutes. The real obstacle to effective containment of terrorism is the growth of its international dimension and its politicization by government leaders and the media through a broadening of the definition to encompass virtually all political violence.

Properly speaking, terrorism is the sustained clandestine use of force to achieve a political purpose. But all political violence is not necessarily terrorism. The term is totally inappropriate to suicide attacks on military personnel in a war zone, as in the case of the U.S. Marine bunker in Beirut. Even political assassination may or may not be a terrorist act, depending on the degree of commitment to a program of terror behind it. If extended to every variation of insurgency, armed rebellion and civil warfare, terrorism as a concept loses meaning and becomes a propaganda tool to stigmatize an enemy.

This confusion in terminology does damage in several ways. Failure to discriminate between the deliberate killing of civilians by terrorists and government death squads in order to intimidate a population, and resistance groups' clandestine paramiliary warfare against official and military targets, adds up to the (fallacious) maxim that one man's terrorist is another's freedom-fighter.

By any definition, the Palestine Liberation Organization, Provisional Irish Republican Army and Libyan "hit squads" are terrorists, but one can hardly apply the term to the Polish and French resistance movements of World War II. For the Indian government to attach this label to Sikh extremists is a disservice to public understanding.

The confusion also spills over to remedies. For example, the bills Mr. Reagan proposed are off target. Two of them would implement earlier treaties on aircraft hijacking and hostage-taking. Another aimed at penalizing U.S. citizens and residents who engage in "training, supporting or inducing" terrorist activities is almost certainly unconstitutional.

Designed to rectify gaps in the law that hampered the prosecution of Edwin Wilson, a former Central Intelligence Agency operative, for furnishing equipment and services to Libya, this bill strikes at a statistically insignificant group while potentially penalizing a wide range of legally permissible activities. In authorizing the secretary of state to embargo supplies and services to countries and organizations that support terrorism, it could make shipments of food, computers, books and medical supplies a criminal offense. Logically applied, it would encompass not only obvious targets like Libya but also the rebels of Nicaragua and, of course, Saudi Arabia and other Arab states that back the Palestine Liberation Organization. The bill's most objectionable feature is a grant of authority to the secretary to make determinations unchallengeable in the courts.

What is needed is not more indiscriminate application of the label "terrorist" and superfluous legislation but international cooperation in tracking terrorist conspiracies and blocking the movement of terrorists across frontiers.

The first requirement is better, more up-to-date intelligence through collaboration between national police forces. The second is tighter controls at airports and border-crossing points. In line with Prime Minister Margaret Thatcher's proposal at the summit conference, the third should be an end to immunity for diplomats and embassy installations that depart from bona fide diplomacy, and an international boycott of official personnel implicated in terrorist activities. None of these goals can be achieved without international agreement based on a much sharper definition of what constitutes terrorism.

Reaching a consensus will not be easy. But a start might exclude the predictable attacks common to civil war and anarchy since the beginning of history and concentrate on conspiratorial attempts to export violence to stable, law-abiding communities. Even ideological adversaries should be able to agree that bombings, shootings and other outrages that put the lives of ordinary men, women and children at risk are common crimes that deserve the full measure of international retribution.

The writer, a senior associate at the Carnegie Endowment for International Peace, contributed this comment to The New York Times.

LETTERS

Politics and Debt

Henry Kissinger's June 25 analysis, "Solving the Debt Crisis: What's Needed Is Statesmanship," was the most realistic appraisal of the situation. In dealing with Third World debt and by attributing to "financial procedure" the main cause for the waste of the "aid" granted to poor countries, we are overlooking the fact that the capital has not been lent under orthodox banking criteria, i.e., apart from solvency, but that political reasons were also taken into account.

The "aid" was rather a different form of the Marshall Plan. But while the Marshall Plan was intended to help the rehabilitation of European countries with a long tradition of industrial and financial experience and know-how to make use of the money, the aid to the Third World was granted to countries with no such background, disregarding the fact that any economy has a given capacity to absorb borrowing. In the absence of such capacity, any endeavor to solve the problem of financial default through additional excess borrowing usually leads to bankruptcies.

As our remarks give no answer on how to deal with the actual problem of imminent danger to the international banking system, the following practical ideas could contribute, per-

(Continued on Page 4)

Herald Tribune
INTERNATIONAL
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SPAIN

A SPECIAL REPORT

Full dress review: The royal family, at left, and Prime Minister Felipe González, second from right, review Spanish troops in Madrid.

Criticism of Socialist Policies Rises, but Public Support Holds

By Tom Burns

MADRID — González-style socialism has gradually begun to grow sour in Spain. In the last year, there has been a palpable change in the public perception of the *cambio*, the change that Prime Minister Felipe González so boldly promised when he won a landslide electoral victory in 1982.

There has not been the accelerated fall-off in support experienced by France's President François Mitterrand. Mr. González's personal approval rating has not dipped below 40 percent, a statistic his aides see as encouraging midway through his term of office.

But criticism of the government's policies has grown markedly, and what Spaniards call *desencanto*, disenchantment, with the administration appears to have set in and is likely to increase.

The beginning of this year brought the most widespread strike movement experienced by Spain for nearly a decade. The last months have seen the consolidation of local nationalist power in Catalonia and in the Basque country, making even more vexed the volatile, unresolved issue of regionalism vs. Madrid.

There are, moreover, two key electoral pledges that Mr. González and his team now wish they had never made but that public opinion in Spain is determined not to forget: to maintain income levels and create employment, and to stage a referendum on continued membership in the North Atlantic Treaty Organization. The erosion of Mr. González's credibility is closely linked to both issues.

Throughout the year Mr. González has made little use of his ability to communicate, which is his greatest political asset. In March, he made his first prime-time television broadcast and appealed for wage restraints. The message, in a fireside-chat format, made little impact. In June, Mr. González gave an unprecedented two-hour news conference to a panel of journalists, carried live on all the major radio stations. The performance received lackluster notices in the newspapers.

There is talk of the Moncloa syndrome, after the Moncloa Palace, the prime minister's official residence. This ailment seems to cut off the palace's occupant from the public and virtually strike him dumb, as once occurred with Adolfo Suárez, the charismatic former prime minister and the chief architect of the post-Franco political transition, who is now in the political wilderness.

Despite the criticisms, Mr. González has kept his initial government team. But it is an open secret in Madrid political circles that the deputy prime minister, Alfonso Guerra, and the economy and finance minister, Miguel Boyer, are barely on speaking terms, that Foreign Minister Fernando Morán has scarce control over foreign policy issues and that Industry Minister Carlos Solchaga, the lynchpin of the government's key industrial streamlining policy, has been close to resigning because of opposition to his program in the labor movement.

Ahead lie the troubled waters of the Socialist Party convention, the first since Mr. González took office. It is scheduled for December. There is unlikely to be a party rank-and-file revolt at the convention because, as one cabinet minister put it candidly and in private, "Most of the convention's delegates are on the administration's payroll." But the stringent and unpopular austerity measures, the regional political setbacks, the ambiguity over NATO and the steadily rising unemployment rate will be critically scrutinized, under the full glare of national publicity.

Strikes have been the most visible example of public unrest. In the first four months of 1984, according to figures released by the National Employers Association, there were 1,451 industrial disputes involving more than three million workers. The number of strikes was up 22 percent from the corresponding period last year and the number of employees involved rose 142 percent.

Some of the strikes were staged to protest streamlining in loss-making industries. There were large anti-government demonstrations against layoffs in steel and shipbuilding. These could spread in the months ahead.

There were strikes in other sectors over pay as employers applied a government guideline of a 6.5-percent maximum wage rise. The pay ceiling is below the inflation rate, which is expected to be 8 to 9 percent at the end of this year. The disputes involved a wide cross section, from construction workers to airline pilots and from mailmen to university professors.

The government's economic policy has received the broad backing of the International Monetary Fund and the Organization for Economic Cooperation and Development. Both agencies point out that it is the only policy Spain can apply in order to reduce the public deficit, lower inflation and streamline the economy for entry into the European Community.

The political consequences of austerity, however, when applied by a Socialist government, is disarray within the government's own support. Mr. González's government is, in the main, carrying out the thankless, and ultimately self-destructive, task of managing the crisis in the manner of Social Democratic governments in Northern Europe during the last decade.

A pointed indicator of the political and economic climate in Spain is that Spanish business is still not willing or able to invest in the domestic economy. The Spanish banks, which are the real owners of Spanish business, are steadily de-investing and selling, where possible, to foreign investors. With its virtually monetarist economic orthodoxy the government has alienated its own electoral base but failed so far to create confidence in domestic business circles.

Mr. González's government suffered setbacks in the regional elections in February and April to elect, respectively, the Basque and the Catalan parliaments. In both cases local nationalist parties retained control. In the Catalan vote the Socialist Party was strongly defeated.

Regional issues were dominant in both elections. The existence of a strong nationalist presence in the Basque country and Catalonia distorts the significance of the elections and makes their results difficult to apply nationally. But a feature of the two elections was the manner in which an aggressively anti-nationalist electoral strategy adopted by the Socialist Party failed to attract middle-of-the-road voters and instead aggravated regional tensions.

In broad political terms, the chief development has been the sharp deterioration in past months in relations between the central government in Madrid and the home-rule governments of the Basque country and Catalonia, the two most developed areas in Spain.

The internal political impact of the government's ambiguity over NATO has been to provide a rallying point for the otherwise dilapidated Spanish Communist Party, which is in the forefront of the Spanish peace movement.

The ill-considered electoral promise to stage a referendum on NATO and the subsequent Socialist hesitations over holding it have served to weaken the Socialist Party on its left. An increase in the Communist vote in the next elections, making inroads into that for Mr. González's party, is likely.

There is a final element in the perception that socialism in Spain

(Continued on Next Page)

Unemployment Continues to Counter Solid Achievements in the Economy

By Robert Holloway

MADRID — Eight years after the restoration of democracy, the Spanish economy still has a hangover. In the pithy assessment of Carlos Cortés, secretary-general of the influential Businessmen's Circle, "a large part of our profits has been used to destroy jobs."

In statistical terms the achievements of the Socialist government of Prime Minister Felipe González since it took office in December 1982 are impressive.

The inflation rate, then running at 14 percent a year, will range between 8 and 9 percent by the end of this year, independent forecasters have said.

Gross domestic product grew 2.2 percent last year and foreign economists in Madrid say that the Organization for Economic Cooperation and Development's prediction of 2 percent this year is conservative.

By devaluing the peseta as soon as it took office the government helped depress imports, and the current account deficit shrank from \$4.2 billion in 1982 to \$2.5 billion last year.

Anselmo Calleja, director of forecasts at the Economy Ministry, said in June that the account may now be in balance.

But these results must be set against the highest unemployment rate in the West, crippling inefficiency and huge financial losses in heavy industry, and a lack of confidence in the private sector.

Mr. Cortés rejected Mr. Calleja's contention that "four decades of protectionism under Franco sheltered businessmen from virtually all risks and they are now timorous about investing unless they can see high profit margins, much higher than you are used to outside Spain."

The government plans to invest \$6 billion over the next three years to restructure industry. Steel output fell slightly last year, to 12 million metric tons, less than two-thirds of capacity, and losses were estimated at 30 billion pesetas. Shipyards lost 45 billion pesetas.

Businessmen, in Mr. Cortés' view, have no incentive to invest. Their chief demand is a dismantling of the vestiges of Franco's labor laws. A trade-off between the dictatorship and state-controlled unions made it almost impossible to fire workers, in exchange for low wages and a ban on strikes.

Franco also granted businesses very low interest rates on bank loans.

Rapid wage rises following the restoration of democracy, coupled with higher interest rates and other inflationary pressures, such as the 1979 oil price rise, drove many small companies into bankruptcy. This and the recession in Northern Europe, which forced thousands of migrant workers to return home, sent the unemployment rate from 7.5 percent in 1979 to 20 percent in the first half of this year.

"Investment in the private sector is mainly looked at as a way of solving the rigidities of the labor market, rather than as a means of expanding capacity and seeking new markets," a leading banker said.

A bill before the Cortes would permit employers to hire and fire workers on three-year contracts, but the government is not expected to take firmer steps toward a more flexible labor market because it needs the support of the unions to restrict public-sector wage rises and to modernize industry, a process that will cut out an estimated 60,000 jobs.

Paulino Barrabés, an official of the Socialist UGT, the General Union of Spanish Workers, said, "This government has the merit of facing facts," and added, "We are ready to make sacrifices to create employment in the long run." The UGT agreed to limit public-sector wage increases this year to about 7 percent, well below the inflation rate.

But Mr. Barrabés described as "monstrous" the privately expressed opinion of a senior government official that the administration would cease to regard unemployment as its top priority if it were halved to 10 percent.

And Marcellino Camacho, secretary-general of the Communist Workers' Commission (CO), insists that full employment is possible. "The seven largest private banks doubled their gross profits last year," he said. "Their deposits totaled 22 billion pesetas and we have proposed creating a national solidarity fund using that money to restructure industry and implement full agrarian reform."

The CO has refused to sign any agreements with the González government, which Mr. Camacho describes as "right of the Christian

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Vital Foreign Policy Decisions Delayed

MADRID — At the beginning of this year the foreign affairs spokesman of the conservative opposition in the Cortes caused an uproar when he accused Prime Minister Felipe González's government of pursuing a "red" foreign policy. The opposition took up the theme again when Fidel Castro of Cuba, making a stopover after visiting Moscow, was invited to lunch at the prime minister's official residence.

In contrast, a steadily growing protest movement, spearheaded by the minority Communist Party, accused Mr. González of selling out to the Reagan administration and reneging on pledges to hold a referendum on continued membership in the North Atlantic Treaty Organization.

Spanish foreign policy is, of course, neither red nor Reaganite, but the two accusations illustrate the ambiguity that often permeates Madrid's external relations.

Officially, 18 months after it took office, the Socialist government is still trying to decide whether to remain in NATO, which Spain joined in May 1982. Entry into the European Community has been a constant both under the present government and of those that preceded it. And events such as a recent visit to Spain by Argentina's president, Raúl Alfonsín, have prompted calls for a "Hispanic commonwealth" and an "Ibero-American community of nations."

The NATO issue is certainly the most complex the government faces in foreign policy. The cabinet is believed to be evenly split on the question. Mr. González, whose views outweigh those of everybody else, is probably in favor of remaining. He and his team are extremely evasive on where they stand.

The problem is that the prime minister and his team know that a substantial majority of Spaniards are against being in NATO. They also know that it is difficult, to the point of being unprecedented, to leave the alliance.

In the course of this year some of the ambiguities on this issue will be resolved. Mr. González has said that before the Socialist Party convention, which is scheduled for December, the government will, as a government, make clear whether it will recommend remaining in NATO.

He has also said the referendum will be held before the next general elections, which must take place no later than the fall of 1986, and that the referendum will be consultative and not binding.

There is a final clue to the prime minister's thinking. He has recently said that Spain's options are to remain in NATO under the present status or to return to the defensive it held immediately before entering NATO. The choice would thus appear to be between remaining a NATO member but not a member of the integrated military com-

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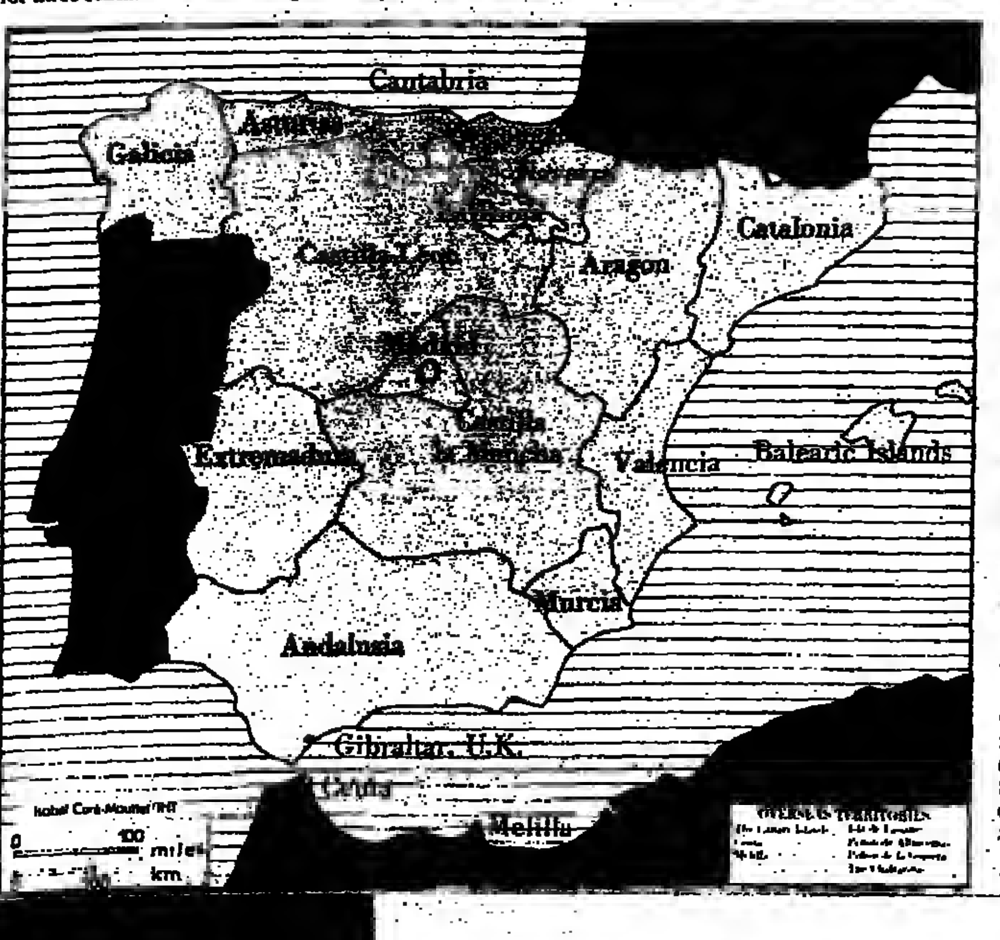
Sea of Red Ink Is Threatening Decentralization

By Victor de la Serna

MADRID — Creating a quasi-federal state seemed, to many politicians in the early years of Spain's democratic regime, a cure-all for internal tensions and for the pent-up demands of minorities in what for three centuries had been a highly centralized nation. The "state of autonomies" was devised to satisfy separatist feelings in Catalonia and the Basque country while giving similar home-rule status to other regions — thus placating the military and the conservatives, who objected to any special plan for the Basques and Catalans and feared a secessionist pull that might destroy Spain's unity. Now, seven years after the first free elections of the post-Franco era, Spain has been divided into 17 autonomous regions, each with its own executive and parliament. But the system is sinking in a flood of red ink, and plans to moderate the ambitious plan are being debated by the Madrid government. "The autonomies will not be curtailed by any sort of legislation," said a spokesman for the Territorial Administration Ministry. "There's no question of doing so, since it would entail revising the constitution. But that does not mean that there will be no attempts to rationalize the cost of the system. We have found out that some of these regional governments were rather poor administrators."



Fernando Jáuregui, a Madrid journalist, believes a tightening of the financial reins might have results similar to those of a legal reform of the regional setup. Mr. Jáuregui created a stir earlier this year with a report in the newspaper El País on the costs of the 17 regional governments. The report said they had added 130 billion pesetas to the country's large budget deficit.

"The Socialists are trying to severely tone down the rate at which expenses and ambitious projects were developing in the 13 regions where they hold office," Mr. Jáuregui said. "Madrid can also postpone transferring to some regions those areas of administrative power still in the hands of the central government."

Belatedly, Spain is recalling the warnings made by Josep Tarradellas, the veteran Catalan leader, who has said since 1977 that "besides Catalonia and the Basque country, no Spanish region has any tradition of or longing for a home-rule or federal system, so that any artificial creation may become ineffective and ruinous."

A general cause for the cost and

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Paperwork Slows Decentralization Plan

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low effectiveness of the system, many officials say, is the inability of the central and regional governments to keep down the number of public servants, which has skyrocketed in the regional administrations without a commensurate reduction in the national administration. In addition, the superimposed administrations are often bogged down by bickering over their respective duties and prerogatives — even, it appears, in areas where a clear legal boundary exists between local and national responsibilities.

Examples of personnel inflation abound. In the relatively low-priority agriculture and fisheries department of the Catalan government — in a heavily industrialized region — there are 57 more high-ranking officials than there were before Catalonia became autonomous.

With 17 regional parliaments (all of whose elected members earn salaries), 17 regional governments with about 150 regional ministers and many new regional departments, a whole new class of high-ranking public officials has appeared overnight. Many regional ministers are as well-paid as their colleagues in Madrid. Indeed, two regional heads of government, in Catalonia and Cantabria, earn more than $70,000 each, between salary and expense accounts. That is about what Prime Minister Felipe González earns. In a relatively poor country with a 20-percent unemployment rate, these figures are quite unpopular.

The problem is compounded by the lack of a federalist tradition in Spain, as cited by Mr. Tarradellas, and by a lax, imperfect system of regional budgeting and financing. As a result, citizens often feel far-removed from the new system.

In Cantabria, a small region west of the Basque country, a local government official and former newspaperman, Jose Ramón Sáiz, recently confessed, "Right now we are a failure, as much in terms of effectiveness as in terms of popular support for our government."

Except in Catalonia and the Basque country, indifference to the regional authorities has been widespread. The Catalans and Basques, who had long-standing aspirations to autonomy — or independence — for cultural, linguistic and political reasons, are governed by nationalist parties and have shown great interest in the development of home rule. Elsewhere, few citizens know the name of the regional head of government.

In the words of Antonio Fontán, a former territorial administration minister with Adolfo Suárez's centrist government, "a purely electoral show of one-upmanship" by the centrists and the Socialists was the primary reason the system got out of hand in 1980.

Two paths to home rule had been included in the 1978 constitution — a fast one for the "historic nationalities" of Catalonia, the Basque country and Galicia, and a gradual, limited one for everyone else. But the centrists and Socialists stirred nationalist feelings in Andalusia in an effort to undermine one another, and suddenly every local boss wanted as many rights as the Basques and Catalans.

Now, solutions are difficult to find. Legally, nothing can be done without a constitutional upheaval. All regions have received a large majority of the administrative powers included in their respective "autonomy statutes" — 90 percent in the case of the Madrid region and, paradoxically, just 70 percent in the Basque country, where mutual distrust has slowed down the pace of transferring chunks of the administration, particularly in health services.

While the devolution plan is irreversible, better ways of controling waste and improving the citizens' control over spending could be devised. In the hurried process of granting autonomies, little was foreseen in terms of fiscal and financial control.

When Andrés Hernández Ros, the Socialist head of the Murcia region, had to resign earlier this year after a bribery scandal, it was discovered that his administration, with a yearly budget of 17 billion pesetas, was preparing a four-year spending plan of 200 billion pesetas.

Except in the Basque country, regional governments do not collect taxes; they receive a portion of the national budget. But they are free to raise loans in the national and European markets. Direct tax collection by regional authorities has been mentioned as a solution to the problem — it would ensure a rapid rise in popular interest by the local voters in the fiscal plans announced by candidates in regional elections, and make accountability a more common word than it is today.

As El Pais stated in a recent editorial, "In order to avoid the self-destruction of our 'state of autonomies' — because of superimposed powers, of malfunctioning decision centers, of the cost of maintaining administrative machineries and of the tribal struggles of small-scale politicos in search of power and money — it will be necessary for all democratic forces to face up seriously to the way to solve the unprecedented and difficult problems created by the new reality."

Government Hopes to Expand Tourism

MADRID — For many people Spain is virtually synonymous with tourism. But, given the numbers who inhabit and visit it, it is probably the least-known country in Western Europe.

Last year more than 39 million tourists and day-trippers crossed its frontiers, one for each Spaniard, yet barely 5 percent of them ventured beyond the Mediterranean coasts, the Balearic Islands or the Canaries. Even Madrid, whose Prado is one of the finest art museums in the world, is not named in the official statistical handout on Spanish tourist regions but is classified among "others."

The Monty Python lampoon of Philistine sun worshippers downing imported beer in graceless hotels to the strains of phony flamenco music may be cruel, but it is not entirely inaccurate.

"We have launched a campaign to break away from the association of tourism with beaches," said Ignacio Fueja, secretary-general for tourism. "Our slogan in the United States is, 'All Europe in a Single Country,' and we hope to promote the cultural and sporting attractions of the interior."

The motive is largely economic. Almost half Spain's visitors come from France and Portugal, mostly for brief camping holidays. The strength of the peseta against the franc and escudo cut these visitors' numbers by 1.3 million last year, to 18.8 million, although this was largely offset by additional tourists from Britain and West Germany, who now total more than 10 million a year and who typically stay in package-tour hotels.

Prices for cheaper accomodations have risen much more steeply in recent years than in four- and five-star establishments, and traditional tourist centers are close to saturation point. Receipts in pesetas increased by more than a quarter last year but, because of the currency's sharp fall against the dollar, foreign-exchange takings shrank from $7.13 billion in 1982 to $6.84 billion.

Planners say that, in addition to the United States, there is a large untapped domestic market. Distances between the main population centers, and the nationalistic outlook of certain regional minorities, mean many Spaniards are less acquainted with their own country than, say, the British or Germans with theirs. Mr. Fueja conceded, "We can never hope to develop a domestic market comparable to our foreign tourist trade, but there is room for great expansion."

The streets of the southern city of Granada, for instance, are decorated this year with posters extolling the gastronomic delights of Galicia, in the northwest. A shrewd ploy, since while the region of Andalusia contains some of the finest Moorish architecture existing, its most celebrated restaurants, such as

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Criticism of Socialist Policies Increases

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highly regarded philosopher Julián Márias published a disquieting and controversial article, entitled "Freedom on the Wane," in the conservative Madrid newspaper ABC.

Professor Márias' theme was that under Mr. González's government there had been a steady encroachment of the liberties that had characterized the post-Franco period. The Socialist administration, he said, was carrying out subtle changes in education, the justice system, the economy, the media and the civil service that together formed part of a strategy aiming to make socialism in Spain irreversible.

He wrote that "exasperation" was setting in, and added: "Innumerable Spaniards, of all the social strata and of all ideologies, feel themselves to be uncomfortable, spied upon, manipulated, threatened."

An opponent of the Franco dictatorship, who because of his stand was denied a university chair during the Franco era, Professor Márias is no reactionary polemicist. His broadside on the government stung Mr. González into saying that he was not prepared to take lessons in liberty from the professor or from anyone else since he had devoted his life to the cause of freedom in Spain.

Many Spaniards would probably say that the professor had had overstated his case. Mr. González is in fact criticized by the left wing of own party for his caution. They say the prime minister has not traveled far enough along the socialist road. But a year ago no Spanish intellectual of repute would even have advanced such a thesis. Professor Márias' article caused something of a sensation.

Despite everything, Mr. González retains a large measure of the widespread personal popularity that swept his party to power. The noting that he combines pragmatism and decisiveness with idealism and compassion continues to stick. The *desencanto* of the past months has much to do with the facts that too many hopes were placed in the young and inexperienced team Mr. González headed and that not enough was known about the severe economic problems it inherited. So far Mr. González himself has escaped the brunt of the criticism.

Members of the government, when discussing the drop in support, make the salient point that the dip in the backing for the Socialists and the eruption of labor discontent is not matched by any marked increse in popularity for the conservative opposition. Thus, the stability of Mr. González's government often appears to owe more to a negative aspect — absence of a credible alternative — than to positive support.

Manuel Fraga's conservative opposition movement, Coalición Popular, had a negligible showing in the Basque and Catalan elections. Spaniards who when polled say that life has not improved under Mr. González also say that it would not improve under Mr. Fraga.

Unemployment Continues to Counter Economic Gains

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is growing sour. In early June the Democrat government, which preceded it." Talks involving the CO, UGT and employers' association on a national wage pact collapsed in January.

Despite the employers' declared lack of confidence, there was a large inflow of capital, reversing a trend that occurred after the Socialists won the 1982 election. Foreign exchange holdings increased in the first five months of this year by $2.3 billion, and economists at a Western embassy said Spain made advance repayments on part of its national debt, standing at $30 billion.

"The reflow can partly be explained by the overvaluation of exports, which compensated for underinvoicing when exporters speculated on a devaluation in the autumn of 1982," a source at the embassy said.

If underinvoicing and overinvoicing suggest that last year's trade figures give an exaggerated impression of Spain's real performance, banking sources say the government's economic growth statistics are also misleading. "A 23-percent rise in automobile production was due to the start-up of the General Motors plant at Zaragoza, which turned out 240,000 cars," a source said. "Without that Spain's production would have declined."

Conversely, the government argues that the effects of unemployment are mitigated by the existence of a large underground economy.

Important Foreign Policy Decisions Remain

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mand or maintaining bilateral defense accords with the United States. Either way, neutralism is ruled out.

These options please nobody. Spanish peace marchers call for an end to NATO membership and the dismantling of the four U.S.-Spanish bases of the bilateral pact. The pro-NATO side wants full integration in the alliance; Spain withdrew from the military command immediately after Mr. González took office. Other NATO members are unlikely to allow Spain to be a special case, refusing to join the military command, for much longer (though France pulled out of the military command in 1966). The United States, for its part, urged Spain to be a NATO member precisely because it did not want the bilateral agreement that Mr. González puts forward as his second option.

Governing the NATO question in a manner that is not always perceived outside Spain is the issue of EC membership. If Spain is offered unacceptably harsh terms, or indeed no terms at all, on the EC, it will certainly withdraw from NATO. Favorable terms to accede to the Treaty of Rome would make the task of the Spanish pro-NATO lobby immeasurably easier.

The present schedule calls for EC negotiations to be completed by September, to allow accession on Jan. 1, 1986. But nobody is making any bets. The EC's budget problems may delay enlargement indefinitely. The terms, especially transition terms for Spanish agriculture and the timing of bringing down tarriffs, might simply be too tough for Spain to contemplate. A byword now among Spanish public figures is that "Spain cannot join at any price." A year or so ago nobody was saying that.

EC entry would end the ambiguities of Spain's foreign policy. There is no practical basis for the nonaligned, Third-World-leaning visions of an "Ibero-American community," although the emotional and cultural ties are real enough. More than half of Spain's trade is with the EC, againt about 5 percent with Latin America.

As Spanish officials see it, the real stumbling block to an easy passage into Europe remains France. An imaginative and courageous feature of foreign policy in Mr. González's administration has been the attempt to mend bridges with France. The credit in this is due to Foreign Minister Fernando Morán, who recognized the futility of the bids by previous administrations to enter Europe in spite and in defiance of France. In a 180-degree turn of previous policy Mr. Morán began using new language, arguing that Spain would only enter Europe if France were making the introductions. Mr. Morán used enthusiastic terminology and talked in terms of a "family pact," recalling the times when France and Spain were ruled by Bourbon monarchs.

In the event, far less has been achieved than had been hoped for in terms of EC entry, and the stumbling block remains. There has been, however, a key consequence of the changed official attitude toward France, which has had a direct impact on Spain's internal stability. The past months have seen intensified cooperation between France and Spain over controlling the Spanish Basque refugees in southwest France who form the kernel of the separatist movement ETA. Action against ETA havens in France is seen as essential if terrorism in Spain's Basque country is to be contained.

— TOM BURNS

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Foreign Investment Becomes a Priority For the Economy

By Vivian Lewis

MADRID — Both sides agree: What's good for General Motors is good for Spain. The authorities are doing their utmost to welcome foreign investors, with priority financing, development zones, investment incentives, tax advantages. For these carrots, investors submit to the stick: performance requirements on export volume, balance of payments contribution, local content. Everyone wins.

A respected independent economist calculated that in 1983 General Motors alone accounted for 60 percent of the total national increase in production of manufactured goods. In the absence of alternative domestic sources of investment — because banks lack lending capacity, because Spanish industrialists lack cash — new plants and equipment in Spain have to come from foreign investors.

The scale of the GM plant near Zaragoza, employing 9,800 persons and exporting 198,000 cars in 1983, means the economy cannot do as well this year as it did during the start-up period. But in 1984 to date, Spain has won a few more major international investments: Firestone, in a new tire venture; Lesieur, in table oil; Arco, in polyethylene (buying out family interests in Arrahone); Anheuser Busch, in a sixth industrial-scale bakery for its Bimbo breads; Nixdorf, with a new Toledo electronics plant; Spitfire, with a Malaga assembly line for helicopters, making 32 craft in 1984 and 400 a year by 1989.

Talks are going on about high-tech investments by Olivetti (computers), Fujitsu Fanuc (robots) and Hitachi (computers and video cassette recorders).

Last year, total foreign investment was 158 billion pesetas. Because the GM contribution ended when its plant was completed last year, this was a 13.5-percent drop from the total of 183 billion pesetas in 1982. And the United States lost its billing as top source — to France. This is not surprising, given the long border France and Spain share, but it should help lay to rest an accusation commonly heard in Paris: that Spain is used as an "aircraft carrier" by U.S. and Japanese multinational corporations to invade Western European markets. In fact, 63 percent of all foreign investment in Spain last year came from European Community countries.

U.S. automakers, unlike French supermarket or bank owners, are subject to careful monitoring. Xavier Oraa y Moyna, director at GM, said the company was required to undertake to export at least two-thirds of the output of its plant. "In fact, last year we exported 82 or 83 percent," he said. GM also got targets for local content in its cars: 50 percent at the start, and 60 percent within two years. Again, Mr. Oraa said, "by last August we were at 60 percent and we are now running at 62 to 63 percent." The company also made commitments on its impact on the Spanish trade balance, agreeing to export 125 percent of what it imported. The target was surpassed, at 140 percent.

Mr. Oraa believes these so-called performance requirements "would not remain legally valid if Spain was in the EEC." He said: "Of course we are doing better than the targets because we feel that it is good for us. But the only thing that would still apply during an EEC transition period would be the import duty on foreign cars sold in Spain."

That is no small figure. Patrick Byrne, president of Ford-España, said that "duties and taxes on imports come in 60 percent of the price of a car."

Mr. Byrne's company was subject to the same export rule but the local content requirement on Ford is only 55 percent. "Our assumption is that performance requirements will be removed," Mr. Byrne said, "but we can't afford to act on that assumption until we are sure."

The foreign presence in Spain is not wholly dependent on incentives. And there are no instances known to the U.S. Embassy in Madrid of companies failing to meet perfomance requirement levels. As a result, no one knows if the requirements are enforceable, if companies could be made to turn back their investment incentive funds or tax rebates.

A new plant set up in Spain is not usually there merely because of incentives. Foreign manufacturers are lured to Spain as much because of the vast potential market: There are only 212 cars per thousand Spaniards, for example, compared to between 300 and 400 per thousand in Northern Europe.

Expanding Tourism

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El Caballo Rojo, opposite the mosque in Córdoba, are at best mundane.

The chief obstacle in opening the interior is lack of communications beyond the road and rail networks radiating from Madrid. Main line services are excellent. The Talgo express introduced in the late 1960s remains superior to anything in Europe except perhaps the most modern French trains, and those have less leg room. A first-class ticket from Madrid to Córdoba costs 3,318 pesetas, significantly less than the cost of traveling a comparable distance in France; a good three-course meal comes in about 1,500 pesetas, wine, coffee and cognac included.

But between Córdoba and Granada, two of the four principal cities in Andalusia, there is no direct rail link. Three daily buses take about five hours to cover 100 miles (160 kilkometers), stopping in numerous villages. It is a pleasant journey in late spring when the fields are full of poppies and cornflowers after an unusually long and wet winter. To attempt it in summer, when temperatures may exceed 40 degrees Celsius (104 degrees Fahrenheit), would test the spirit, especially of those with young children.

Not all officials share the enthusiasm of central government planners. Julio Anguita, mayor of Córdoba, believes that "the future of Córdoba lies partly in the past." But he quickly added that the Moorish caliphate, which ended in 1236, should be an inspiration rather than a tourist attraction. "We want a city full of beautiful gardens and libraries," he said. "Tourism is fine so long as the people do not sell themselves. Córdoba is not a prostitute. There will be no fun palaces here."

Mr. Anguita is the only Communist mayor in Spain, something that surprised at least one American couple in the luxury Maimonides hotel in the elegant historic center, where every house seems built round a flower-filled patio.

— ROBERT HOLLOWAY

Islamic Heritage Is an Issue in Andalusia

GRANADA — "Granada should never have been reconquered!"

The line, spoken by a crippled medieval warrior, produced a storm of applause when Antonio Gala's play "Las Citaras Colgadas de los Arboles" was first performed in Madrid a year before Franco's death in 1975.

Theatergoers interpreted his criticism of Ferdinand and Isabella, the Catholic monarchs who expelled the Moors from Spain in 1492, as an attack on the modern church for supporting Franco's dictatorship.

Franco, who had done his share of conquering Spanish cities in the Civil War, encouraged the cult of "Los Reyes Catolicos" because, Mr. Gala explained in a recent interview, "religion was the only force capable of binding so divided a country."

But he insisted that his play was not allegory. Almost five centuries later, he said, "Spain is inexplicable without Islam," although there is scarcely a Moslem left in the country.

The theme has been taken up by autonomists, artists and politicians in Andalusia, the southern region that includes Granada, Seville and Córdoba.

Julio Anguita, the Communist mayor of Córdoba, said he doubted that there were now more than 20 Moslems in the city, which once had 3,000 mosques and was, after Baghdad, the greatest political and cultural center in the Arab world. But he found surprising public support when he tried in 1981 to sell a disused Catholic church to an Arab group.

The move recalled the destruction of much of Córdoba's magnificent 10th-century mosque, which was converted into a cathedral in the 18th century. The bishop managed to block the sale, but the church of Santa Anna remains closed. Local newspaper files contain letters of support for the mayor.

A casual conversation reveals that people remember with mixed admiration and amusement the bitter public exchange of letters between mayor and bishop that culminated in Mr. Anguita's "I am your mayor; you are not my bishop!"

This might seem populist politicking, but Carlos Cano, one of the region's most successful singers, agrees with Mr. Anguita that "the spirit of Andalusia is anarchist."

The bishop had claimed that Catholicism, unlike Islam, was "a developed religion," but, Mr. Cano said, "People here have always resented authority, and the church has a weaker following than in other parts of Spain."

The autonomous government of Andalusia, created after the restoration of democracy, recently agreed to withdraw from schools a history book that referred in derogatory terms to the anarcho-syndicalist agricultural workers' movement that flourished in pre-Franco days.

The association of Islam with anarchism may strikes a visitor as incongruous. But, according to a journalist, Antonio Ramos, author of "Pasaporte Andaluz," a study of emigration by unemployed Andalusian workers in Northern Europe, "the word Islam means something different here."

The caliphate, which lasted in Córdoba until 1236, and the later rule of Moorish kings in Granada were "periods of great broad-mindedness as well as enlightened rule," he said. The intellectual achievements were extraordinary. It was in Andalusia that the Arab philosopher Averroes rediscovered Aristotle for the West.

Mr. Gala agreed that its glittering past makes Islam a focus for autonomist sentiment.

"The mutual fascination of the Arabs for Andalusia and vice versa was a source of cultural cross-fertilization," he said.

"Andalusia was not a dream. It was a reality, full of tensions, which developed in frequently painful ways. Just like the Arab world, whose most brilliant achievements can be seen here today."

Militant Islam and Andalusian autonomy have at least one thing in common

Just as many fundamentalists seek to unite a divided Arab world through Islam, Andalusians commonly remark that, through autonomy for its regions, Spain may achieve a unity that was only skin-deep under Franco.

— ROBERT HOLLOWAY

The New Spanish Cooking Earns Higher International Marks

"They used to say that in Spanish inns one eats only what one brings there. That is no longer true, of course. But it is indispensable to bring a palate devoid of any prejudice."

— James de Coquet, "Propos de Table."

MADRID — No more than 20 years ago, even those who like James de Coquet, a renowned French food writer, said they liked Spanish food always found a way to explain that there was something, well, strange about it. Today, a flurry of culinary activity and creativeness is overcoming prejudices about Spanish cooking, which is emerging more as original and attractive than as strange and disconcerting.

A long history of misgivings about Spanish eating habits is thus slowly crumbling.

The French have had a large part in putting down Spanish cuisine. As the historian André Castelot writes: "Back in the 17th century, Spanish cookery had a very bad reputation, at least among the French. A 'plat à l'espagnole' meant an inedible dish." The reputation has endured.

The roots of the misgivings were often justified; witness the Spanish habit of overusing a good thing by drowning concoctions in too much olive oil. Some were unjustified, such as the American belief that Spanish food is hot and spicy, like Mexican food, which in fact is entirely different.

Much has been swept aside by the wave of creativeness. Although no direct link with Spain's political life can be found, it is apparent that Spanish cooks, as other Spaniards, have freed themselves from old, repetitious routines masquerading as traditions.

"What many of us are doing is much more exciting and interesting than what the French do," said Ramón Ramirez, one of the leading chefs in Spain. "We can create within a much greater diversity than they have. There is no Spanish cooking, but rather many regional traditions, entirely different from one another. Cooks have a huge array of products and habits from which to gain inspiration."

It is said that Andalusians fry, Castilians roast and Basques stew. And Spain does not have the sort of common culinary trait that in other countries unites all or most regions, such as pasta in Italy or cooking with butter in France.

Foreign influence in the rebirth of Spanish cooking cannot be denied. The Basques and the Catalans, with easy and frequent access to French restaurants, were the first to realize, appreciate and imitate *nouvelle cuisine* in the early 1970s. Their influence later extended to most of Spain.

Nowadays, no leading chef wants to talk about *nueva cocina* — it is no longer a fashionable expression. But they all say they like to create from regional traditions by adding a surprising or exotic touch, or by simply making lighter versions of old dishes.

Also important in this movement is a new breed of well-educated, articulate and well-traveled cooks. This is particularly startling, for the social status of cooks in Spain had been depressingly low.

Mr. Ramirez, 30, is the scion of a well-to-do Basque family — from which he has inherited the shiny old Bentley he drives around Madrid. He has earned two Michelin stars for his restaurant, El Amparo, with such creations as angler fish, a firm-fleshed white fish, popular in France and Spain, with limes and honey, or sweetbreads in a pastry casing with a puree of wild mushrooms.

The Paul Bocuse of Spain and, at 41, already a father figure to the culinary movement, is Juan Mari Arzak of San Sebastian. A former engineer, he opened his restaurant 17 years ago. He moves back and forth between creations — a fish of the day with a creamy green pepper and sage sauce — and rediscoveries of Basque dishes, such as a capon soup, the *kapoi sopa*, or white tuna fillets, oven-stewed with tomato.

"During these years I've seen with much satisfaction that cooks and cooking are finally reaching, in Spain, recognition as artists and art," Mr. Arzak said.

"For us Basque cooks, the trend to creativeness has been a breath of fresh air," he said. "Let's face it, our repertory of dishes was short. It's so much more varied now."

The main rival of Arzak as Spain's best restaurant is Zalacain of Madrid, the creation of the restaurateur Jesús Oyarbide and the chef Benjamin Urdiain. In his new guide to 57 cities in Europe and the United States, the British restaurant critic Egon Ronay makes Zalacain one of only 12 three-star restaurants — a higher rating than he gives Mr. Bocuse or any restaurant in the United States.

Also in Madrid, Inaki Oyarbide, the 24-year-old son of Zalacain's owner, has enthusiastically taken over the Principe de Viana restaurant and introduced many novelties — including a constant search for fine raw materials. "Would you believe I've finally been able to get real brook trout?" he delightedly told a client. "A fisherman in León province sends me a few every day. I could hardly recognize the taste after all those aquaculture products."

Women figure prominently in the new wave of cooks. Toia Roqué of Azulete and Rosa Grua of Florian are among the best chefs in Barcelona, a city that has probably surpassed Madrid for the overall quality of its restaurants, according to most Spanish critics. And in the male-chauvinist environment of Basque country — where traditional "gastronomic societies" are as closed to women members and visitors as old Pall Mall clubs — Tatus Fombellida of Renteria's Panier Fleuri has earned the respect of her male counterparts.

Self-made cooks, like self-made painters or novelists, are also to be found in the highly individualistic Spanish society. Abraham Garcia, 34, is a good case in point. Up to the age of 14, he was a shepherd in the poor La Jara region of Toledo province. He then worked as an apprentice at Club 31, a Madrid restaurant known for its routinely classical cuisine. When he set out on his own, without any contacts with innovative colleagues in France or Spain, he started developing his own style at Viridiana — he is a fan of Luis Buñuel — a modest, tiny place with the mock-Castilian look of a Spanish restaurant on New York's 14th Street.

"Giving a little inventiveness to an old dish is a wonderful way to make people order such things as a fried egg or some blood sausage, which are so old hat," Mr. Garcia said.

"The new generation is so different from the old clients. They don't mind at all eating their duck *magret* very rare, or to know that I add bitter chocolate to the lentils with which the duck comes. But when an order for plain fried sole comes in, I don't have to guess the client's age. Fried sole is fine, but for so long it was all we ever had!"

— VICTOR de la SERNA

Investment in Industrial Plants Lags

MADRID — The roll call of Spanish companies that have sought protection from their creditors sounds like the Spanish Fortune 500 of a few years ago. At 20 percent, Spain's unemployment rate is the highest in Europe. The public-sector deficit is forecast to grow 29 percent this year and will soak up one-16th of all Spain can produce — nearly double the level of two years ago.

Apart from foreigners, no new investment is going into Spanish industry — and there has been no net new investment in plant or equipment in Spain for a decade. In its annual report on Spain published last month, the Organization for Economic Cooperation and Development predicted that gross fixed investment would remain flat in 1983, and grow to 2.4 percent this year.

Despite the gloomy facts and figures there are a few bright spots, such as an underground economy, where many of the jobless are in fact working; a disappearing trade deficit; and, most of all, an industrial sector stronger than the bankruptcy numbers would indicate.

To be sure, the Rumasa group, which was nationalized to save it from financial collapse, was the largest private conglomerate in Spain and owned half the country's banks. Its debts topped 25 billion pesetas. Another financial group, Banco Urquijo, was saved by a shotgun merger, and with it more than 200 industrial companies. The failure of Barcelona-based Banco Catalana may cost the government more than 225 billion pesetas.

According to the OECD, public-sector companies are also deeply in the red: 23.7 billion pesetas for Iberia Airlines this year, 33 billion for the Seat automaker, 173 billion for the railroads, 93 billino for the rest of the Institute for Industrial Development. Nor have foreign companies escaped — or so it seems. In November, Westinghouse S.A., a subsidiary of the U.S. company, went into receivership. In January, General Eléctrica suspended payments to creditors; the former subsidiary of General Electric of the United States is now part-owned by Alsthom of France.

The unemployment rate is expected to rise even without new bankruptcies, and only about a quarter of Spain's unemployed are receiving benefits. Government restructuring measures will result in losses of 10,000 jobs in steel mills, 20,000 in shipyards and 30,000 in other industries. The state hopes that measures favoring new jobs in advanced industries will create three times as many posts as the 60,000 to be lost. But that would leave 2.7 million — one Spanish worker in five — on the unemployment rolls.

Still, some of Spain's most notable recent business failures have already been reversed. Aluminio Español, which suspended payments in 1982 after debts topped 57 billion pesetas, expects to return to profitability in 1984. The chemical group Explosivos Rio Tinto, which lost 15 billion pesetas last year, also expects to return to the black this year. Bits and pieces of the Rumasa empire — a bank here, a wine company there — are being bought from the state to be refloated. Europrix, a retailing chain of the Banco Catalana group, is being bought by its employees.

The U.S. companies that sought court protection from their creditors were actually seeking protection from their workers. Under Franco-period laws, still in force, it is all but impossible to dismiss workers. In Franco's day, this was accompanied by a law against strikes, which has been suspended. The Socialist government, as part of its plans to modernize the economy, is committed to trying to change the law on dismissals. It also wants to develop new industries in Spain, such as semi-conductors and bioengeering.

Despite these plans, the government has been caught up in managing the crisis rather than the recovery. Its budget was scrapped over by cabinet ministers. Traditional large companies in heavy industry have won most of the funding "even if small companies account for 80 percent of jobs," said Economics Minister Miguel Boyer.

"We cannot abandon heavy industry," Mr. Boyer said in a recent interview with the French newspaper Le Monde. "We are obliged to invest a maximum of funds in large enterprises. That is our paradox."

As a result, small Spanish companies still have to finance themselves, unless they are Basque cooperatives. Banks, for reasons that are not always appreciated, lack the means to lend to risky ventures. Spain's most successful young entrepreneur, José (Pepe) Barroso Perales, 23, owner of the Don Algodón knitwear and retail company, said that "in the United States you can find finance with an idea; in Spain you need to have money behind you." Now that Mr. Barroso is successful, he can get bank financing — but he remains sole owner of his company. He may be young but he is typical of Spanish entrepreneurs in that.

The perils of self-finance are not only sacrifices and toil. Even when a company has been successful in innovating, in exporting, in earning, a one-man show means trouble. case, uncertainty surrounds the effect on Don Algodón of Mr. Barroso's doing his military service.

Luis Suñer's daughter ran his *ice-cream and frozen foods* company when he was kidnapped by Basque terrorists and held for 90 days. But Mr. Suñer, an indomitable 74-year-old, has no grown grandchildren interested in the business — nephews, he feels, are not competent to run the enterprise — and no other living children. "When my daughter was in charge everybody said she had a lot of character," Mr. Suñer said. But he still worries about leaving the business to her and has designated a young grandson as eventual heir.

Overcoming anti-feminist pressures was easier for Dolores Sala at Freixenet, maker of what the Catalans call *xampany* (pronounced "champagne"); her husband and sons were killed by the Franco forces during the Civil War. Unlike many Spanish companies, hers is incorporated, and various members of the family, not just the president, José Ferrer, own shares, are in management or sit on the board.

A nearby wine company, Torres, is, however, the sole property of its owner, Miguel Torres Sr., 74, and will be liable to large inheritance taxes when he dies. Family disagreements are so acute that his daughter Marimar Torres, who built up a U.S. marketing concern for her father after having had to fight for every peseta she spent, finally quit to go into the cooking-school business. His son and heir, Miguel Torres Jr., an oenologist, fed up with the short leash he was kept on, left at the age of 40 to continue his studies at Montpelier University. Miguel Jr. is now back, but when asked about changes he had made following his studies, he brushed off the question.

The typical Spanish family business does not publish balance-sheet accounts. Only when a company needs bank funding or is seeking to lure in outside capital is data made available, and many Spanish businessmen are proud not to borrow and not to give out information. If Spain gets into the EC, more information will be made available, because foreign bidders are the likeliest to work out deals with the native entrepreneurs and because European company law will be applied to Spanish companies.

—VIVIAN LEWIS

Household Appliances Sector in Slump

MONDRAGON — The Spanish "white goods" sector — household appliances — is in difficulty. Losses in 1983 topped 8 billion pesetas, compared with 6 billion in 1982. The 15 producing companies, which employ 18,000 people (down 10 percent from the previous year), had volume of 120 billion pesetas. A further 3,000 jobs in the sector are to be cut this year.

To help salvage the situation, the Spanish government has assigned companies in the sector to three groupings, following a study by the McKinsey management consultancy group. The lead company in two of the groups is foreign: Philips of the Netherlands, and Zanussi, an Italian company just sold to Electrolux of Sweden. Only the third grouping is headed by a Spanish company: Ulgor, maker of Fagor, Aspes and Novelty stoves, refrigerators, dishwashers and washing machines.

The government designation is only one of the kudos Ulgor has won recently. Its export manager, Jesús Larrañaga, has been named to head the electric appliances producers' association, and a study of innovative Spanish enterprises by the Asociación para el Progreso de la Dirección praised Moulinex, Braun — and Ulgor.

Ulgor is a very peculiar company, among other things because it is not a company at all but a cooperative, with a total of 2,000 employees. Mr. Larrañaga, as a top manager, is paid a maximum of three times the wage earned by the lowliest assembly line worker in Mondragón, the small Basque town where the company is based.

Because of this advantage over its rivals, Ulgor's losses in 1983 were a moderate 205 million pesetas — much of it accounted for by unpaid sales to Algeria, the result of a diplomatic dispute. The loss was made up with a salary cut, redistribution of profits between all the cooperatives in the group — notably the two profitable cooperatives making electric and electronic components for household appliances, and a numerical control company — and from reserves.

Cooperatives are more lightly taxed under Spanish law — at 18 percent rather than the corporate rate of 33 percent. With this edge, cooperatives are supposed to be able to create a social fund to enable them to avoid layoffs even in periods of trouble. The fund absorbs about 10 percent of gross profits. In the case of Ulgor, the reserves — coupled with the Spanish system of cascaded turnover taxes, where the special statute governing cooperativesgave Ulgor no privileges — enabled the company to create a series of companies downstream, in machine tools, brochure-printing and component-making, as well as alongside, in industrial-scale refrigerators and freezers or kitchen cabinets, for example. The strength of the cooperative is greater than that of its parts.

In an industry where exports are rising — appliance exports from Spain have doubled in three years — Ulgor has done even better, exporting one-third of output, 70 percent to the EC, and 70 percent of that to France. The French have been holding up stove exports, however, charging that safety standards are not being met.

Mr. Larrañaga expects things to pick up further. Among the advantages he cites is the special statute, which means that Ulgor reinvests to maintain reserve ratios and the cooperative movement each year. Another is the Basque "border country" mentality, which made Ulgor international "even against the national concept of autarky, which dominated Spain from the Civil War to the 1950s," Mr. Larrañaga said.

Because of its long export history, Ulgor has two distribution companies in West Germany, three in the United States and four in Britain, and is running a joint venture in China.

The social character of Ulgor — it was founded by José María Arizmendi-Ar-rieta, a Roman Catholic priest, in the 1950s, with intellectual debts to everything from Spanish Trotskyism to the Basque tradition and social Catholicism to neo-Thomism — is also a force. Its system is so peculiar (above all in being successful) that a team from Cornell University is studying the model and its potential applications.

—VIVIAN LEWIS

Banking Problems Hinder Investment

MONDRAGON — This small Basque town is a forcing bed for new Spanish companies, the closest Spanish equivalent to Silicon Valley. But Mondragón, in the foothills of the Pyrenees, is still typically Basque in the way it hatches new enterprises.

Almost alone in the world, the Basque country is the center of a successful cooperative movement in industry, and new companies are created by hiving off workshops or assembly lines or, to an increasing extent, services from the parent cooperative. With a taste for managerial autonomy and small-scale enterprises, the Basques of Mondragón and its region have created more than three dozen new companies in the last two years.

Here are all the components of the Silicon Valley syndrome: a university, research labs, a factory tradition, consultants in economics, marketing, management and trouble-shooting to hand, and venture capital. The only difference is that they are owned in common.

Here, or in the purlieus of the University of Barcelona, there is money for modern venture capitalism and industrial investment. But for most Spanish banks, the experience of industrial development lending has been unhappy. And, for reasons related to the economic situation and government policy, money is in short supply for risk-taking ventures.

In most of Spain, unlike Mondragón, when people have business ideas they have trouble funding. They also have trouble finding advice on markets and contacts, on structuring their enterprise, on distribution. For someone like Luis Suñer, who founded a food-processing company, the lack of banking advisory services means that, operating from the provincial town of Alcira, he must try to line up on his own the international distributors for a line of pouch-packaged paella Valenciana.

Spain's industrial banks, a combination of holding company and investment bank, are in a deep crisis, which helps explain why businesses as different as the Mondragón cooperatives and the Luis Suñer Corp. have to act on their own. The industrial bank Urquijo, more than a century old, was recently the subject of a shotgun merger with a large retail bank, Hispano-Americano, accompanied by a large, secret dowry from the Spanish government — the only way collapse could be avoided.

The agency Franco established in 1941 to help develop industry, the Industrial Development Institution, has poured money into smokestack companies. It has the same problems as the private industrial banks — and its losses last year come to 149.8 billion pesetas, according to the Organization for Economic Cooperation and Development.

The Bolsa, the Spanish stock market, has not yet turned into a mechanism for mobilizing investment funds, despite a rise in the index. Both investors and the entrepreneurs are suspicious of the narrow, insiders' market.

Commercial banks, too, are in difficulty. As a result of the Rumasa debacle, last year 52 Spanish banks — half the nonforeign banks that existed — failed or were rescued by merger or nationalization. It is the largest banking crisis since the 1930s anywhere. At risk are more than one-fifth of Spanish banking assets.

The Socialist government, while stopping short of nationalization, has, according to an economist at one of Spain's seven biggest banks, put a burden on the banks "out of a combination of Jacobinism and monetarism." Under the latest Spanish regulations, 57 percent of all deposits taken by Spanish banks must be put at the disposal of the state, and is, therefore, unavailable to lend to clients.

Spain has a 20-percent cash reserve requirement (15 percent at zero interest and 5 percent at the 13.5-percent base rate). U.S. regulations, in contrast, require banks to put 3 percent of their deposits into reserves. Spanish banks are also required now to buy Treasury bills (to help cover the budget deficit) with a further 12 percent of their deposits, up from 10 percent at the start of this year; the yield is below market. Finally, money supply restrictions (to fight inflation) require that a further quarter of deposits be immobilized in investment coefficient accounts, which yield banks an average of 11 percent (except for favored categories of lending, for export, capital goods investment and the like).

Spanish banks are nonetheless profitable. Although the first-quarter results were better, the Spanish Private Bankers' Association ex-

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SPAIN

Automobile Industry: Mixture of Free Trade, Protectionism

FUENTE DE ALMUSAFES — The Ford Fiesta plant here is the most modern in Europe, according to Patrick P. Byme, president of Ford España. And at 1,240 cars a day, he said, "productivity is on a par with any other Ford plant." At Figueruelas, near Zaragoza, General Motors' slick robotized equipment turns out Opel Corzas. The latest in quality control is being applied at the Patrol plant owned by Nissan near Barcelona.

Spanish application of international automaking technology is coupled with import barriers that all but close the border to foreign-made vehicles for sale. The complicated system includes duties, paid by the customer; regulations pegging the value of imported vehicles to a company's exports — any automaker has to export 125 percent as much as it imports — and quotas on the number of foreign vehicles that can be brought in.

While the production system is increasingly geared to push up foreign sales of Spanish-made cars, any goal of efficiency in the Spanish auto industry is hindered by distorting quotas and duties on imports of cars into Spain. As a result, a proliferation of marks and models is being produced, uneconomically, in the country.

Spain's melange of free trade and protectionism dates from the 1970 preferential agreement between Spain and the EC, fixing duty on Spanish car exports at 4 to 6 percent. This was accompanied by requirements that new carmakers in Spain export a fixed volume of their output and limit imports.

Exports have been beefed up not only by this agreement but by the unexpectedly slow growth of the domestic car market.

"When we did our forecasts in the early 1970s," Mr. Byrne said, "we were too optimistic. We did not anticipate the second oil price increase, the economic slowdown, the 20-percent unemployment. We assumed car ownership would grow by 3 to 5 percent per year."

Ford has had to close its plant for 28 days in the last two years, to cut production levels. The market leader, FASA-Renault, has shut for 70 days so far this year. Even GM, a target for a Communist union, has closed for 14 days this year and further layoffs may be necessary if output in West Germany continues to be halted by strikes there. Spanish carmakers have excess capacity of 1.5 million vehicles a year, Mr. Byrne said.

Renault could produce 50,000 more cars than the 250,000 it turns out, and Seat could produce 150,000 more than its quarter million. Seat produces only slightly more than Ford's 222,000 — but, where Ford employs 9,000, Seat, even after laying off 6,000, has 26,000 workers on its payroll. Behind the tariff wall, there are uneconomic factories, excess manning levels and idle plants.

Ford may overtake Seat this year as No. 3 in the industry in Spain. Renault (283,000 cars in 1983) is the leader, and in its first full year of production, with 246,000, GM is second. Two Peugeot companies, with 166,000 cars produced between them, bring up the rear.

In exports, because of the requirement that automakers export a certain amount of their output, the U.S. companies are top ranked — GM with 198,000 vehicles, Ford with 161,000, out of total exports of 640,000. FASA-Renault is a trailing third.

Under the complicated regulations that govern car imports, most companies may bring foreign models into Spain only in return for selling Spanish-made vehicles outside Spain. As a result, most of the modest, high-priced market for imported cars in Spain is also dominated by GM and Ford, and "the intercompany price for imported cars is not the normal one," Mr. Byrne said. Taxes for locally produced cars come to 40 percent of the sale price; for imports they come to more like 80 percent. As part of Spain's projected switch next year to a value-added tax system, these rates will probably be lower, but no one knows by how much yet.

Other companies have used production in Spain to win a calling card enabling them to import lines made elsewhere, still subject to duty but not to quotas. Japan's Nissan took control of Motor Iberica, a truck company, and agreed to produce a line of Jeep-style four-wheel drive vehicles called Datsun Patrol, and eventually a line of vans. In exchange it gets to sell Italian-made Datsun Cherry models in Spain. Renault can import heavy-duty trucks because it makes cars in Spain. Even Mercedes can import cars because it produces Mevosa trucks in Spain.

This arrangement cannot survive Spanish entry into the EC. Even before the transition period is over, there will be changes. In 1983, British carmakers forced Spain to allow a quota of 15,000 cars to enter the country at a lower rate of duty, an off-quota concession open to all EC carmakers and one likely to be renewed for 1984. Then, too, the imminent removal of some of the cascaded taxes applied to Spanish manufacturing (and the rebates paid to those who export) may open up the market.

— VIVIAN LEWIS

Impatience Rising Over Delays in EC Membership

By Gerald Bourke

BRUSSELS — Madrid's impatience with what it sees as foot-dragging by the European Community over the question of Spanish accession to the 10-nation bloc continues to grow. In May, Prime Minister Felipe González hit out at what he called the "clear hardening" of the EC's negotiating position. He also said entry would pose enormous problems for Spanish industry and would mean only very limited advantages for the country's farmers.

Manuel Marín, secretary of state of EC affairs, echoed this disenchantment when he said that the terms of entry, as they stood, were too one-sided to enable the Sept. 30 target for concluding the negotiations to be met. Both sides are so far apart on certain issues that a meeting June 19 in Luxembourg between Spain's external affairs minister, Fernando Morán, and his French counterpart, Claude Cheysson, outgoing chairman of the EC Council of Ministers, ended abruptly after 20 minutes with no headway being made.

Nevertheless, all parties to the talks agree that the latest deadline for Spanish and Portugese entry, January 1986, is still on if the remaining problems can be ironed out by the year's end. Portugal's accession talks are almost wrapped up, but the EC wants both countries to join at the same time.

The principal reason for the painfully slow progress of negotiations with Spain is the threat of bankruptcy that continues to hang over the community. EC spending is expected to exceed revenue by about 2.7 billion European Currency Units this year, largely because of the runaway cost of the Common Agricultural Policy.

Successive attempts by the Brussels-based European Commission to persuade member states to part with more cash, even in the form of a loan, have thus far come to nothing, though the deadlock may be broken now that the long-running battle over Britain's budget rebate appears to have been resolved. With the commission estimating that enlargement of the community to include the Iberian peninsula will require a 15-to 20-percent increase in spending, the extreme caution being exercised by EC negotiators is perhaps understandable.

The political desirability of a merger has been enunciated repeatedly by EC governments, particularly Helmut Kohl's center-right West German coalition. Bonn may appear as grudging as other EC governments when it comes to economic concessions but it is acutely aware that Spain's continued membership in NATO is likely only if it joins the EC.

Even the neutral Irish, who took over the rotating presidency of the Council of Ministers on July 1, share this view. "Accession to the community will help copper-fasten Spanish democracy," said an Irish Foreign Ministry official.

When Mr. González came to power he promised that the question of EC membership would be reassessed if Spain had not joined by the time the 1986 elections came round. With time running out and the accession negotiations clearly not going its way, the Socialist Party must either accept the limited concessions being offered or break off talks in the hope that the Spanish electorate will support the party's "no entry at any cost" stance.

A major stumbling block to the successful conclusion of the talks is the integration of fresh Spanish produce into CAP. Under the 1970 EC-Spain trade agreement, community tariffs on produce were halved, and Madrid is pressing for a complete elimination of remaining duties immediately upon accession.

But duty-free entry would cause havoc for EC producers, most of whom are in the least-developed areas of the community — Italy, Greece and the south of France. The EC has, therefore, proposed staggering tariff dismantlement over the first four years of Spanish membership. To keep CAP spending in check and discourage overproduction, Spanish producers would be granted guaranteed prices only after this transition period had elapsed.

Spanish ministers regard this package as unacceptable, even if it has been tempered with the offer of 5 million ECU annually during the four years to help set up producer organizations and intervention agencies.

The EC is reluctant to make further concessions. Indeed, on June 1 it dealt the Spanish a further blow by raising minimum prices on imports of fruit and vegetables from non-EC countries by an average of 15 percent and increased the number of products subject to these so-called reference prices.

Negotiations on a number of other vital issues remain deadlocked. These include access to EC waters for the Spanish fishing fleet, which is almost three-quarters the size of the community's.

With unemployment now in excess of 13 million in the EC, the free movement of Spanish workers throughout the community is also unlikely to come about until several years after accession.

The chances of a breakthrough on the outstanding issues appears brighter following the EC recent decision to allow Spain a six-year grace period before dismantling tariff barriers on most industrial imports, compared to its previous offer of three years. Madrid is holding out for a seven-year transition, and it appears that the EC governments may be willing to agree.

International Trend in Textiles Sector

VALENCIA — This is the home of Spain's largest multinational firm, Tycesa International, maker of the Lois brand of blue jeans, the fourth largest maker of dungarees in the world, after Levi Strauss, Wrangler and Lee. For a garment company, Tycesa is unusual, aiming not at the mass but at the carriage trade; Lois jeans are sold to boutiques and plush department stores in competition with designer jeans.

Tycesa owns plants in Portugal, Brazil, Ireland and Australia, as well as in Spain, and has licensees in several Latin American countries, South Africa, Greece, Pakistan and Indonesia; soon to be added are South Korea and the Philippines.

Spain's largest home-grown multinational is typical of Spanish companies, and typical too of the Spanish rag trade in keeping things secret. As a private company, Tycesa publishes no annual report and releases no figures on sales or volume, to say nothing of profit or loss. The garment industry likes to keep secrets, to prevent "knock-offs" of forthcoming lines.

In Spain, as in Italy, during periods of high unemployment, output rises in industries such as textiles, clothing, toys, leather goods and shoes. Even though the Spanish rag trade is officially plagued by high wages, overcapacity, slack demand, lack of investment capital and a high rate of business failures, many Spaniards who are on the unemployment rolls are in fact making garments. Business failures are often accompanied by the sale of machinery to outworkers and subcontractors. A lot of undeclared goods are produced in backroom plants.

The textile industry officially employs 200,000 Spaniards who produced garments worth 350 billion pesetas in 1983. Export data, however, give the lie to the theory that the industry is stagnant. Exports of textile products rose 54 percent in 1983. And, perhaps more significantly, in addition to synthetics and cotton produced in Spain, imports of cotton rose an astonishing 130 percent.

Spanish internationalism in textiles is likely to continue. Tycesa's export manager, Alberto Arilla, said half the company's output was exported for payment in dollars. "Of course the entry of Spain into the EEC would be advantageous to us," he said.

Joaquín Saèz Merino, 56, the owner of Tycesa, did not start out in a back room, but he and his brother did walk from store to store placing goods turned out by the small family workshop. After a decade of hard slogging by the brothers, the company got its real boost when jeans became the youth uniform in the 1950s. Since then the brothers have split into competing companies. Tycesa has added two other jeans lines and branched into sportswear and leisure clothes, with mixed success.

Things have moved much faster for the youngest of Spain's textile entrepreneurs, José (Pepe) Barroso Perales, 23, whom most Spaniards think of as Don Algodón (Mr. Cotton), the name of his 65-shop chain. With a slogan ("You are the star"), a market (teen-agers), a clean line of color-coordinated cotton-knit goods in fluorescent hues and a range of accessories to match, Mr. Barroso has come from nowhere in no time.

Six years ago he started with a 32-square-meter (38-square-yard) store. Encouraged by Spain's cascaded tax system, he invested in production plants. Today, he claims, 80 percent of Don Algodón's line is produced in his factories near Madrid.

By this autumn, Mr. Barroso expects to have 80 stores, including the first of what he hopes will be a string of Don Algodón international ventures. With an American partner, Horacio Aguirre (who publishes El Diario Latin America), Mr. Barroso will open a boutique near Miami. Early in 1985 an opening is slated for London, and after that there are French and Italian shops planned. Sales in 1983 were "about 1 billion pesetas," Mr. Barroso said.

— VIVIAN LEWIS

Bank Problems Hinder Investment

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pects full-year 1984 return on assets to be similar to or lower than last year's 0.65 percent.

Foreign banks are actively building their Spanish presence, helped by the need of the Spanish authorities to find new owners for banks in distress. Luxembourg-based Bank of Credit and Commerce International has taken over the Banco de Descuento, Arab Banking Corp. the Banco Atlantico and Citibank the Banco de Levante. These followed purchases of troubled banks by Banque Nationale de Paris (Lopez-Quesada) and Barclays Bank (Banco de Valladolid).

Spain now has nine internationally owned retail banking networks, more than any other country, so foreign bank branches are found in many regional centers and small towns. In addition, there are 27 foreign banks operating as wholesale banks. In total, there are banks from 16 countries. The foreign banks' share of Spanish lending grew an extraordinary 15 percent in 1983.

Despite innovations in developing new methods of financing their loans, foreign banks are unlikely to continue this level of growth. And Spanish banks, buffeted by the government — most recently over the lifting of bank secrecy — will not grow either. Spain is a major lender to Latin America, for historic reasons, so its banks bear risks of nonpayment and rescheduling.

— VIVIAN LEWIS

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A Bumper Harvest in 1984 May Complicate EC Talks

MADRID — A bumper harvest this year may complicate the already drawn-out negotiations on Spanish entry to the European Community.

The long, wet winter ended a four-year drought, and Agriculture Minister Carlos Romero has forecast that total output will rise 3.3 percent, with a jump of 6 million metric tons in grain production, to a record 19.7 million tons.

A net food importer, Spain foresees an improvement in its agricultural trade deficit. This worsened by $28 million last year, to $611 million, as the fall in the peseta's value pushed up import costs, notably of U.S. tobacco and soybeans, and feed grains from the EC.

Global figures can mislead, however. Spanish agriculture is imbalanced; excess output occurs in some sectors and severe shortages in others. Output of Spanish wine and olive oil worried French and Italian producers in the drought years; a 12-percent rise in wine production is now predicted while the olive-oil crop should soar from 277,000 tons to 600,000 tons.

EC negotiators have proposed that trade barriers be eliminated in stages over 10 years after Jan. 1, 1986, the target date for Spain's entry. The Socialist government of Prime Minister Felipe González, backed by the opposition parties, trade unions and employers, has said this is unacceptable, especially since the EC wants Spain to open its market to industrial and manufactured imports within three years. In any case, they added, the threat to French and Italian producers is no greater than that to Spain's weak dairy and poultry sectors.

The government has announced plans to work toward full self-sufficiency in feed grains and other import crops, while cutting output of wine and olive oil.

The government remains the sole legal grain importer but since June 1 has limited its role as intermediary between wheat farmers and millers to liberalize the domestic market. It has introduced comprehensive crop insurance and promised to improve distribution networks, but most other details of the plan have to be negotiated with farmers.

Relations with farmers remain bad, and protests are frequent. Increases of farm-support prices for 1984 average 6.5 percent, while the most optimistic forecasts show the inflation rate falling to between 8 and 9 percent by the year's end. And while the government has pledged to invest 90 billion pesetas to irrigate 150,000 hectares (370,000 acres) by 1986, it has not disclosed how and where this will be done.

High salinity makes irrigation difficult in many areas; cotton acreage, for instance, has fallen to pre-1950 levels.

Few negotiators expect agreement on EC entry by Sept. 30 this year, the revised date set by the EC after protracted talks, and officials on both sides say this is no longer a deadline. Unless progress is made toward compromise on the transition period, the size of the harvest rolling in this autumn may cause attitudes to harden further.

— ROBERT HOLLOWAY

International Bond Prices - Week of June 28

Provided by White Weld Securities, London, Tel.: 623-1277: a Division of Financière Crédit Suisse-First Boston
Prices may vary according to market conditions and other factors.

RECENT ISSUES

Amt	Security		Mat	Str/Conv	Issue Price	Mid Price	Yield
dm 100	McDonalds Finance	7¾ %	'94 Jul	s	100	100⅛	7.71
$ 100	Bank Of Tokyo Curacao	13⅝ %	'91 Jun	s	100	97¼	14.25
$ 100	Nippon Credit Bank	13⅞ %	'89 Jul	s	100	98½	14.38
$ 200	Gmac Overseas Fin	13 %	'90 Jul	s	100	99⅞	13.14
$ 100	Austria	13⅝ %	'93 Jul	s	100	97⅞	14.18
$ 100	Denmark	14 %	'97 Jul	s	100	89½	16.50
$ 125	Industrial Bank Japan	13⅜ %	'93 Jul	s	100	99½	13.30
140	South Africa	12½ %	'89 Jul	s	100	98⅛	12.97
$ 100	Genossen Zentralbank	14 %	'91 Jun	s	100	99¼	14.40
$ 50	Scotland Intl Fin	14¼ %	'90 Jun	s	100	98¾	14.56
$ 125	First Fed Michigan	13¼ %	'89 Jul	s	99⅞	97½	13.95
cn$ 75	Hydro-Quebec	14 %	'91 Jul	s	100	103⅛	13.27
dm 150	Dep Posts Telecommic	9⅛ %	'91 Jun	s	100	99	8.56
$ 100	Rockefeller Group	13⅝ %	'89 Jun	s	99⅝	100⅛	13.17
$ 100	Caisse Nat Telecom	13⅝ %	'91 Jun	s	100	98	14.21
$ 75	Export Import Bank	13¼ %	'91 Jun	s	100	101½	12.51
nkr 200	Finland	11⅞ %	'89 Jun	s	100	94½	12.91
$ 100	Caisse Nat Cred Agri	13⅝ %	'91 May	s	100	95½	14.29
$ 75	Girozentr Sparkassen	13⅝ %	'91 May	s	100	95⅝	14.23
$ 50	Sekisui House	3 %	'91 Jun	c	100	94	
$ 70	Japan Air Lines	12½ %	'94 May	s	99⅞	94¼	13.57
$ 100	Union Bk Switzerland	12⅛ %	'91 Jun	s	100	98⅝	12.57
dm 150	Ireland	8⅝ %	'92 May	s	99½	98⅞	8.43
$ 125	Coast Fed Intl Fin	12⅞ %	'98 May	s	100	90	13.96
dm 100	Skf Goeteborg	7⅝ %	'89 May	s	100	98	7.87
$ 100	Flor 100 Fed Savings	12⅝ %	'89 May	s	100	96¼	13.44
$ 100	Creditanst Bankver	13⅛ %	'91 May	s	99⅞	98	13.58
dm 100	Gould Intl Finance	7⅝ %	'91 May	s	100	98⅛	7.96
$ 100	Denmark	13 %	'97 May	s	100	94⅝	14.73
$ 100	Klm Holland Air Lines	12⅞ %	'91 May	s	100	99½	14.23

STRAIGHT BONDS
All Currencies Except DM

AUSTRALIA · AUSTRIA · BELGIUM · CANADA · DENMARK · EUROPEAN INSTITUTIONS · FINLAND · FRANCE · GERMANY · GREECE · HOLLAND · ICELAND · INTERNAT INSTITUTIONS · IRELAND · ITALY · JAPAN · LUXEMBOURG · MEXICO · MISCELLANEOUS · NEW ZEALAND · NORWAY · PHILIPPINES · PORTUGAL · SOUTH AFRICA · SOUTH AMERICA · SPAIN · SWEDEN · SWITZERLAND · UNITED KINGDOM · UNITED STATES AMERICA

[illegible]

HIGHEST YIELDS
to Average Life Below 5 Years

[illegible]

HIGHEST YIELDS
to Average Life Above 5 Years

[illegible]

HIGHEST CURRENT YIELDS

[illegible]

ZERO-COUPON BONDS

[illegible]

DM STRAIGHT BONDS

AUSTRALIA · AUSTRIA

[illegible]

(Continued on Page 14)

International Herald Tribune
BUSINESS/FINANCE
TRIBUNE, MONDAY, JULY 2, 1984

EUROBONDS

U.S. May Usurp Europe As Biggest Tax Haven

By CARL GEWIRTZ
International Herald Tribune

PARIS — The Eurobond market held its collective breath last week, waiting to see if the United States is really going to usurp the Euromarket to become the world's biggest tax haven.

The groundwork was laid recently when both bouses of Congress approved a tax bill repealing the 30-percent withholding tax on interest payments to foreign investors. The bill will become law when President Ronald Reagan signs the act, which is expected shortly.

The only remaining uncertainty is what administrative rules the Treasury will impose on the sale of bearer bonds.

Securities sold to U.S. citizens will be in registered form — meaning the tax authorities will have a way of comparing tax declarations with interest revenues.

Bonds sold outside the United States may be issued in bearer form — meaning the holder is not identified by name and need only present the coupon stubs to the paying agent to receive payment. This is how the Eurobond market operates and it leaves matters entirely to the discretion of the investor whether to report this income or not in his tax statement.

Eurobond Yields
For Week Ended June 27

U.S.$ lg term, Int'l inst.	13.77 %
U.S.$ long term, ind.	13.65 %
U.S.$ medium term, ind.	13.54 %
Can.$ medium term	13.69 %
French Fr. medium term	13.12 %
Yen lg term, Int'l inst.	7.71 %
ECU short term	10.88 %
ECU medium term	11.34 %
ECU long term	11.36 %
EUA long term	9.97 %
FLx lg term, Int'l inst.	11.01 %
FLx medium term	10.65 %

Calculated by the Luxembourg Stock Exchange.

Market Turnover
For Week Ended June 29
(Millions of U.S. Dollars)

	Total	Dollar	Non-dollar Equivalent
Cedel	8,807.6	7,546.0	1,261.6
Euroclear	14,559.2	13,605.1	954.1

The critical question — and one insiders suspect may take the Treasury weeks, if not months, to agonize over — is what criteria the Treasury uses before allowing domestic bond issuers to sell bearer rather than registered securities.

Under present rules, domestic issuers may offer bearer bonds once certification has been received that the beneficial owner is not a U.S. citizen. Until certification has been received, a withholding tax of 20 percent is imposed.

The question, then, is whether the certification requirement will be stringent or lax. Stringent means raising fears among foreign investors, who want to escape tax payments at home, that the Treasury will be able to pass their identification to the relevant foreign tax authorities. Lax means a system loose enough to enable foreigners to buy bonds in New York without having to worry about being discovered at home.

If the certification is stringent, many European bankers believe their clients will not be attracted to the U.S. market. If it is lax, the incentive to buy dollar bonds in New York rather than on the Eurobond market, where yields traditionally have been lower than in New York, could be irresistible and the Eurodollar bood market could effectively cease to exist.

To be sure, there are other technical reasons to keep the Eurodollar bond market active — the inconvenient time difference between Europe and New York, the much larger size of trades needed to be considered a round lot (trading smaller odd-lots is more expensive) in New York, the greater speed with which issues can be launched here than in New York and the requirement in New York to register any public issue with the Securities and Exchange Commission.

The Wall Street proponents of the tax repeal were aiming to repatriate the Eurodollar bond market as a means of reasserting their pre-eminence as underwriters of dollar-denominated issues and they can be expected to press the Treasury to be lax about certification for the sale of bearer securities.

But the question the Treasury now has to face up to is whether it is prepared to turn the United States — which has already attracted tens of billions of dollars of foreign funds thanks to its very high real interest rates — into a haven for tax avoiders.

If the answer to this question were, "not enough to immobilize the Eurobond market," there is also the continuing uncertainty about the direction of U.S. interest rates and worries about the sizable losses that many underwriters are already sitting on from having unwisely participated in offerings marketed over the past few months.

On top of all this, there is the trading scandal involving the New York office of Union Bank of Switzerland, the London

(Continued on Page 15, Col. 1)

Officials Agree on Tariff Cuts

Tokyo-Round Plan To Be Accelerated

The Associated Press

ERBACH, West Germany — Trade officials from the United States, Japan, Canada and the European Community have agreed to bring forward broad new tariff cuts and make them operational by the end of the year.

William E. Brock, the U.S. Trade Representative, said Saturday at the end of the two days of informal talks that he hoped Congress would consider the necessary legislation by the end of July.

Wilhelm Haferkamp, external affairs commissioner for the EC, said the officials pledged to initiate steps that had been agreed to at trade talks in Tokyo in the 1970s. In those talks, known as the Tokyo Round, it was agreed to implement across-the-board tariff reductions of about 40 percent in eight annual steps.

"We must still implement the 1985, 1986 and 1987 reductions. We want by Jan. 1, 1985, not only to implement the reductions planned for 1985, but also those for 1986. This is the approach we have discussed," Mr. Haferkamp said.

Also at the meeting were Gerald Regan, Canada's minister for international trade, and Hikosaburo Okonogi, Japan's minister of international trade and industry.

Mr. Haferkamp described the talks as an informal, but said the officials would return to their capitals committed to accelerating the tariff cuts.

He said the EC had decided in principle on the program and implementation might be possible this fall. The European Free Trade Association, which includes European countries outside the EC, also has agreed in principle to advance tariff reductions.

Mr. Haferkamp said the four officials "detected more positive than negative signs" in the present international trade situation. The value of trade in manufactured goods is expected to grow by more than 6 percent this year, compared with an increase of 4 percent in 1983.

"This contrasts favorably with the decline in world trade in 1981-82. This growth is largely due to the growing value of imports and exports of the industrialized countries," he said.

At the same time, the officials were concerned about the growth of what they called non-tariff barriers, he said.

Mr. Brock said the officials also "spent time discussing the urgency of the GATT [General Agreement on Tariffs and Trade] working program on safeguards."

"There is a general commitment to make an effort before November to see if we cannot reach a higher level of discipline in the so-called safeguard area," Mr. Brock said.

Wal-Mart's Growth Outpaces Rivals

Country Boy Gets Rich By Selling Discounted Goods in Rural Regions

By Isadore Barmash
New York Times Service

BENTONVILLE, Arkansas — Sam M. Walton, founder of Wal-Mart Stores Inc. and reputedly one of America's richest men, played the crowd last month at the company's annual meeting.

In the gymnasium of the local high school here, he greeted old friends, hugged women and roused 1,800 shareholders, employees and guests in song — from "The Star-Spangled Banner" to the company cheer.

And it did not stop there. That afternoon Mr. Walton, 66, and his wife were hosts at a barbecue for 700 at their home. In the evening, the country singer, Tammy Wynette, lured Mr. Walton to join her at the microphone. The next day, in this small town in the northwesternmost corner of Arkansas, there were sports competitions, a boating trip and a forum for local and national politicians.

But if the ambience of Wal-Mart's annual gathering was down-home and light-hearted, the balance sheet presented by company executives was pure sophistication. It told a tale of striking success in retailing, one that few of Walton's northern brethren in the business could duplicate.

The 22-year-old discount chain, which operates largely in rural communities of 5,000 to 15,000 people in an ever-widening tier of 19 states in the South and Southwest, is the fastest-growing U.S. retailer. Its growth rates in sales, profits, return on equity and other corporate barometers have been the highest in the industry since the late 1970s.

"Wal-Mart is one of the very few general merchandising companies that are astutely managed, highly profitable and well positioned for the future," Cathleen W. Mackey, analyst for First Manhattan Co. in New York, said.

Much of the company's success has been laid to Sam Walton, its chairman and chief executive. Born in Kingfisher, Oklahoma, Mr. Walton is a country boy who struck it very rich by peddling discounted products to rural America.

NYT
Sam M. Walton

Last autumn, Forbes magazine identified him as one of the wealthiest men in America. It is an achievement, however, that Mr. Walton is loath to discuss. He would rather talk retailing and give credit to his employees.

There are, he says, oot many secrets in the industry. "Anyone willing to work hard, study the business and apply the best principles can do well," he says. "I worked at it. I walked into competitors' stores. And I wandered into more stores than anyone else. I was fortunate in getting

(Continued on Page 17, Col. 5)

Merger Agreed By Continental Group's Board

By Lee A. Daniels
New York Times Service

NEW YORK — Continental Group Inc., which last week put itself up for sale to fend off a takeover offer by Sir James Goldsmith, the British industrialist, has agreed to merge with a corporatioo owned jointly by David H. Murdock, a West Coast financier, and Peter Kiewit Sons Inc., a private mining and construction company.

Condnental said bolders of its common stock would get $58.50 a share. It said the total value of the transaction was about $2.75 billion.

The agreement to sell Continental, which has operations in packaging, forestry, insurance and energy, was reached during a meeting of the board with Mr. Murdock and with two officers of Peter Kiewit, namely Walter Scott Jr., the president, and Donald L. Sturm, senior vice president.

In a statement Friday from Continental's beadquarters in Stamford, Connecticut, S. Bruce Smart Jr., the company's chairman, said that the proposal from Kiewit Murdock Group was "the highest price among several alternatives, is not subject to any financing contingencies, and is entirely satisfactory to our directors in other respects, including Kiewit Murdock Group's assurance to continue substantially unchanged Continental's present employee compensation benefits and policies."

Mr. Smart also said that the Kiewit Murdock team had "emphasized its intent to continue Continental as an independent viable operating company," although some of its assets may be sold.

The ststement said that 80 percent of the purchasing group is owned by Kiewit, which is based in Omaha, and 20 percent by Murdock Investments, which is based io Los Angeles.

For the moment, the agreement appears to end the attempt by Sir James to acquire the company. It was the informal $50-a-share offer for the company Sir James made in early June that precipitated Continental's decision to shop for buyers. Sir James subsequently sweetened his offer to $54 a share, or $2.3 billion.

Calls to Sir James and his advisers were not returned Friday. Nor were calls to officials of Continental or Kiewit Murdock Group. It was not immediately known if Sir James or other bidders attempted to match the bid that won over the Continental board.

Cornelius W. Thornton, an analyst with First Boston Corp., said that the Kiewit Murdock offer was "a good bid. It indicates that management has put forth a valiant effort to secure the maximum benefit for the shareholders."

Mr. Thornton cautioned that because the agreement remains to be approved by the shareholders, a higher bid may yet surface.

To give Kiewit Murdock Group a profit in the event that it is outbid, the agreement grants the group an option to acquire about 7.8 million shares of Continental common stock at $58.50 a share. In a move to prevent another bidder from entering the situation, the group has also been granted an option to purchase Continental's most attractive asset, Florida Gas Transmission Co., and other pipeline operations, for $500 million.

Continental's stock closed at $51.75 Friday, up 75 cents, on the New York Stock Exchange. The announcement of the merger agreement came after the stock market closed.

The agreement stipulates that Kiewit Murdock Group will pay $29.95 for each Continental series A preference share and $43.875 for each series B preference share, unless shareholders convert them before the transaction.

Series C preference shares and the $4.25 preferred stock would remain outstanding following the merger, according to the statement.

The Continental board also elected as directors Mr. Scott, Mr. Sturm and Mr. Murdock, and Raymond F. Henze III, president of Flexi-Van Inc.

Mr. Henze, 31, has been an associate of Mr. Murdock since 1979 and is a vice president of Pacific Holding Corp., which Mr. Murdock heads.

Warner Nears Sale of Atari Unit

By Kathryn Harris
Los Angeles Times Service

LOS ANGELES — Warner Communications Inc., unable to staunch losses at its Atari Inc. subsidiary, is on the verge of selling most of the unit's assets to Jack Tramiel, who built Commodore International into a $1 billioo home-computer company before resigning six months ago.

New York-based Warner is expected to sell Atari's home-video game and home-computer divisions to Mr. Tramiel, retaining only its coin-operated-game division.

Terms of the proposed transaction were not immeditaely known, but several sources Friday estimated that the entire Atari operation, which is based in Sunnyvale, California, and considered a bonanza for Warner during the video-game boom, is now worth no more than $125 million to $150 million. One Warner source familiar with Atari operations placed its value as low as $50 million, and a former Atari designer and executive said that it might be worth "$20 million to $30 million total."

An executive who recently left Atari said that the company could lose as much as $100 million in the second quarter, which ends Saturday.

Mr. Tramiel eould oot be reached for comment Friday, but a Warner Communications secretary said that the businessman, who is 55, and at least two of his three sons, were engaged in meetings at Warner's New York headquarters Friday evening.

Alberto Cribiore, a Warner senior vice president and a strategist for Warner's mergers and divestitures, did not return a reporter's phooe call.

Atari, acquired by Warner in 1976 for $28 million, enjoyed a meteorie rise in the late 1970s and posted an operating profit of $358 millioo in 1982. In the past 18 months, however, Atari's fortunes have plummeted as too many competitors crowded into the video-game industry, prompting a glut of product and price wars. In its home-computer division, Atari has never been able to reduce costs enough to turn a profit, according to a former executive.

Atari posted an operating loss of $538.6 million in 1983, and reported losses of $34.9 million for the three months ended March 31.

Fed Officials Are Split on Money-Supply Growth

By John M. Berry
Washington Post Service

WASHINGTON — As they approach a policy-making meeting this month, several Federal Reserve officials have indicated that there are limits to how much money they are willing to pump into the economy.

"We are supplying enough money and credit to finance a sustainable rate of economic expansion, and we intend to continue doing so," a Fed official, Lyle E. Gramley, declared recently.

"But we do not iotend to waste the substantial gains in the battle against inflation that have been won at such enormous cost during the past few years."

A few days later, the Fed chairman, Paul A. Volcker, told a Senate subcommittee, "Our recovery has been proceeding rapidly, with little acceleration of inflation. But the combioed credit demands of the federal government and the private sector have generated disturbing pressures on interest rates, on developing countries and on exchange rates.

"In concept, we can visualize an economic expansion characterized by relatively high interest rates and by strong private consumption and a large budget deficit," Mr. Volcker continued. "That is what we are having. But it has costs — costs reflected in huge trade deficits and net borrowing from abroad, potential problems for bousing and other

U.S. CREDIT MARKETS

interest-sensitive sectors, and risks of exchange rate and financial instability."

Last week, when major banks raised their prime rate from 12½ percent to 13 percent, the White House rejected Mr. Volcker's logic while trying once again to protect the president from any fallout for rising interest rates.

Against this background, the Fed's policy-making group, the Federal Open Market Committee, will meet on July 16 and 17 to reaffirm or change its targets for money-supply growth for the remainder of this year and to set tentative targets for 1985.

Because of the politically charged atmosphere of a presidential election year and because of the rapid pace of the economic expansion so far, the FOMC's policy decisions will be unusually sensitive.

Presumably, the 1985 money-growth targets will be lower than this year's because the committee will want to signal its intention to keep inflation under control as the economy approaches what many economists regard as the zone of full employment. This year's target ranges are unlikely to be changed.

Through May, M-1, the narrowest measure of the U.S. money supply, which includes currency and travelers checks in circulation and checking deposits at financial institutions, had risen at a 6.8-percent annual rate from its average in the fourth quarter of 1983. The Fed has a target of 4-percent to 8-percent growth in M-1 between that quarter and the fourth quarter of this year.

Only the broadest measure of money, M-3, which includes everything from currency to $100,000 time deposits, is outside its range, and it is the measure to which the committee gives the least weight.

Several FOMC members are convinced that the expansion has slowed, but they are uncertain just how much. And they remain worried that the demand for credit — public and private — is still growing too fast.

At a meeting in late March, the FOMC agreed to tighten credit conditions because of the surges in economic growth and the demand for credit. Since then, short- and long-term interest rates have gone up about a full percentage point, but most indicators suggest that the the committee has not tightened further.

Mr. Gramley and another Fed official, Henry Wallich, dissented in March, wanting the FOMC to pursue a still more restrictive policy.

The Fed vice chairman, Preston Martin, also dissented, seeking a less restrictive policy than the one the nine-member majority settled upon.

The coming meeting likely will be a replay of the March session in terms of which way the various members will want to lean. Whether the discussions will produce another tightening is far from clear, particularly given the uncertainties of the international debt situation and the adverse impact of higher rates on the ability of Third World nations to repay their debts. On the other hand, no one on the committee is talking about easing.

U.S. Consumer Rates
For Week Ended June 29, 1984

Passbook Savings	5.50 %
Tax Exempt Bonds Bond Buyer 20-Bond Index	10.76 %
Money Market Funds Donoghue's 7-Day Average	10.04 %
Bank Money Market Accounts Bank Rate Monitor Index	9.46 %
Home Mortgage FHLB average	14.34 %

Some members of the FOMC are confident that the policy steps already taken and the natural aging of the expansion have already combined to slow the economy's momentum.

Mr. Martin, for instance, maintains that financial market analysts and others fearing overheating in the economy are wrongly focusing on the second quarter's estimated 5.7-percent rate of increase in real, or inflation-adjusted, output.

He claims the more important number is the 8.7-percent rate for the three months just ended in current-dollar gross national product, the measure of the nation's total output of goods and services, including income from investment abroad.

■ Prices Drift Lower

Prices in the credit markets drifted lower Friday in very light activity, The New York Times reported from New York.

Market participants shrugged off the Senate's approval of a $53-billion increase in the federal debt ceiling, to $1.573 trillion. News that Argentina said it would pay at least some of its overdoe interest payments to foreign banks had little effect on prices.

The price of the Treasury's bellwether 30-year bond, the 13¼s of 2014, dropped by 13-32 Friday, to close at 97 2-32 to yield 13.76 percent.

CURRENCY RATES

Late interbank rates on June 29, excluding fees.
Official fixings for Amsterdam, Brussels, Milan, Paris, New York rates at 4:00 P.M. EDT.

	$	£	D.M.	F.F.	It.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	3.1375	4.244	112.645 *	36.71 *	0.183	—	5.535 *	134.71 *	132.40 y
Brussels (a)	56.51	76.685	20.3325	6.63	3.295 *	18.049	—	24.293	23.875 *
Frankfurt	2.7835	3.771	—	32.59 *	1.627 x	88.78 *	4.914 *	119.45 *	1.1745 *
London (b)	1.3555	—	3.771	11.574	2,318.59	4.2502	76.70	3.1624	321.90
Milan	1,715.50	2,317.25	616.75	200.57	—	545.85	30.277	734.18	7.218
New York (c)	—	1.3575	2.7843	8.5375	1,713.00 *	3.1335	56.655	2.333	237.35
Paris	8.5445	11.562	306.85 *	—	4.986 x	272.30 *	15.087 *	366.75 *	3.6015 *
Tokyo	237.45	320.86	85.40	27.82	13.88 *	75.79	418.50 *	102.21	—
Zurich	2.33	3.1418	83.76 *	27.30 *	0.136	74.21 *	4.1203 *	—	0.9814 *
1 ECU	0.8039	0.5939	2.236	6.862	1,376.26	2.5194	45.492	1.87	190.521
1 SDR	1.03121	0.76234	2.87109	8.81117	1,769.58	N.Q.	58.449	2.4029	244.912

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.8491	Australian $	1.1586	1.0965	Irish £	0.9120	0.4698	Singapore $	2.132
0.0513	Austrian schilling	19.495	0.0042	Israeli shekel	236.475	0.7365	S. African rand	1.3578
0.0175	Belgian fin. franc	57.25	3.367	Kuwaiti dinar	0.297	0.0012	S. Korean won	805.45
0.7586	Canadian $	1.3182	0.4321	Malay. ringgit	2.3195	0.0064	Span. peseta	157.30
0.0982	Danish krone	10.185	0.125	Norw. krone	7.9975	0.122	Swed. krona	8.1975
0.1697	Finnish mark	5.8925	0.0553	Phil. peso	18.0875	0.0252	Taiwan $	39.66
0.0091	Greek drachma	110.10	0.007	Port. escudo	143.714	0.0435	Thai baht	22.975
0.1279	Hong Kong $	7.8135	0.2848	Saudi riyal	3.511	0.2723	U.A.E. dirham	3.672

$ Sterling: 1.2312 Irish £

(a) Commercial [illegible] (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 [illegible] Units of 1,000
N.Q.: not [illegible]

International Bond Prices - Week of June 28

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston
Prices may vary according to market conditions and other factors.

(Continued from Page 12)

BELGIUM

CANADA

DENMARK

EUROPEAN INSTITUTIONS

IRELAND

ITALY

JAPAN

FINLAND

FRANCE

LUXEMBOURG

MEXICO

MISCELLANEOUS

NEW ZEALAND

GERMANY

NORWAY

HOLLAND

ICELAND

INTERNAT INSTITUTIONS

PHILIPPINES

SOUTH AFRICA

SOUTH AMERICA

SPAIN

SWEDEN

SWITZERLAND

UNITED KINGDOM

UNITED STATES AMERICA

Mutual Funds

Closing Prices June 29, 1984

American Exchange Options

For the Week Ending June 29, 1984

CONVERTIBLE BONDS

EUROPE

JAPAN

MISCELLANEOUS

UNITED STATES AMERICA

HIGHEST CURRENT YIELDS

On convertibles having a conversion premium of less than 10%.

$ 50	South Calif Edi 30.89	12¾ '97 Aug	116	1 Aug 82	maturity		$ 22 3/8	1.70 10.03
$ 15	Dynalectron Intl 21.53	9¼ '95 May	83	5 Sep 80	maturity		$ 12 2/9	7.89 2.30
$ 15	Massmutual Mtge 58.00	8 '97 Jul	84½	30 Sep 83	maturity		$ 20	1.45 14.83
$ 80	Sankyo Electric Co	8¼ '95 Mar	99	1 Apr 82	30 Mar 95	Y 377.50	547 1/9	.71 1.82
$ 20	Toyo Menka Kaisha	7¾ '96 Mar	95	1 Dec 80	21 Mar 99	Y 193	212	1.72 2.53
$ 80	Heinerich Payne 17.32	7½ '96 Oct	92½	15 Apr 81	maturity		$ 57 3/4	7.10 4.61
$ 25	American Medica 48.26	9¼ '97 May	119 7	15 May 83	maturity		$ 83 3/5	1.79 1.71
$ 25	Esselte Ab	7¾ '89 May	98	15 Sep 79	5 May 89	skr 150	skr 298 2/5	2.61 2.81
$ 40	Burnett Overs 25.24	7¼ '98 Aug	98	1 Aug 83	maturity		$ 39 5/8	5.28 8.95
$ 20	Elsevier-Ndu 48.48	8¾ '96 Mar	112	1 May 58	10 Feb 83		hfl 64 1/2	6.18 7.16
$ 83	Bobcock Nederland	7 '92 Oct	98	17 Apr 78	15 Sep 92	hfl 39.46	p 148 1/3	4.44 3.40
$ 30	Aga Ab	9¾ '96 Sep	183	2 Jan 82	15 Jun 98	p 115	skr 366 1/9	3.86 1.64
$ 75	Pessucq Capital 28.37	6 '96 Apr	113	1 Apr 81	maturity	skr 178	$ 38	1.43 5.98
$ 100	Ici Intl Fin 174.77	5¾ '97 Oct	95½	1 May 75	1 Sep 97		p 591 1/2	.38 4.24
$ 83	Thorx Intern	7 '86 Jul	99	1 Nov 78	10 Jul 86	p 440	p 518 2/3	3.57 3.01
$ 30	Asahi Optical Co Ltd	7 '97 Mar	101	1 Nov 79	15 Mar 94	A 347	408 1/6	4.93 1.45
$ 15	Holiday Inns 28.57	5 '85 Oct	118	1 May 71	maturity	Y 437.50	$ 35	5.40 1.97

Explanation of Symbols

CN$	Canadian Dollar	SDR	Special Drawing Rights
ECU	European Currency Unit	Y	Yen
EUA	European Unit of Account	LFR	Luxembourg Franc
L	Pound Sterling	SFR	Swiss Franc
DM	Deutsche Mark	FF	French Franc

INTERNATIONAL EXECUTIVE POSITIONS

Published every Monday, this is a compilation of senior positions published in the INTERNATIONAL HERALD TRIBUNE and other selected publications. Comments concerning this feature can be addressed to Max Ferrero in Paris.

POSITION	SALARY	EMPLOYER	LOCAT.	QUALIFICATIONS	CONTACT	Source
MARKETING Communications MANAGER		One of leading U.S. industries (electronic products & systems).	South of France	Several yrs. of exp. in int'l mktg./advertising communications; truly prof. & highly motivated.	Arn & Associates, 12 Rue du Mont Blanc, CH-1201 Geneva, Tel.: 022/316928, tx.: 289977.	I.H.T. 21-6-84
MANUFACTURING OVERSEAS MANAGEMENT		Goodyear Int'l Corp.	Overseas	Established desire for an overseas career; min. 3 yrs. production mngt. exp. & tech. deg.	K.G. Easterling, The Goodyear Tire & Rubber Co., 1144E. Market St., Akron, Ohio 44316-0001.	I.H.T. 21-6-84
INTERNATIONAL MERCHANDISING MANAGER		Multinational firm.	Assumed Europe	Exp. of product sourcing in Europe & Far East; track record of creative merchandising; ability to negotiate.	Box, D 2089, International Herald Tribune, 92521 Neuilly Cedex, France.	I.H.T. 21-6-84
COMPTROLLER	c. $67,000 tax free	United Nations Agency.	Vienna	Univ. deg. (pref. in finance field); min. 15 yrs. relevant exp. incl. 10 yrs. at sr. mngt. level; int'l exp.; Eng. + Fr. & Arabic.	Chief, Personnel Services Division, EVR/9.84(0), UNIDO HQ., P.O. Box 700, A-1400 Vienna.	I.H.T. 21-6-84
PARTS MANAGER Africa-Europe		U.S. truck manufacturer.	Major European Capital city	Sound basic mngt. training; significant sales exp. in Africa & Europe; Fr., Eng.	Ref. A/B 0066 HT, PA, 3 Rue des Graviers, 92200 Neuilly, France. Tel.: (1) 747.11.04.	I.H.T. 21-6-84
DIRECTEUR VENTES INTERNATIONALES		Flonic (groupe Schlumberger).	Colombes, Paris suburbs.	Form. Grande Ecole d'Ingénieurs + (MBA, CESA, INSEAD...); 5-10 ans exp. vente produits ind. à l'exportation.	X. Barrière, Flonic Schlumberger, 420 Rue d'Estienne-d'Orves, 92700 Colombes, France.	I.H.T. 23-6-84
MANAGEMENT TEACHER		Major European Management School.		Executive with strong interest in education & ideally some part-time lecturing or tutoring exp.; Fr. Eng. + Ger.	Mr. Bruno Leblanc, E.A.P., 108 Bd. Malesherbes, 75017 Paris.	I.H.T. 23-6-84

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NEW EUROBOND ISSUES

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield at offer	Price end week	Terms
FLOATING RATE NOTES							
Belgium	$300	perpt	¼	100	—	99.65	Over 6-month Libor. Minimum coupon 5¼%. Switchable at par every year in August starting in 1986 into a 4-yr note paying interest at the mean of the bid and offered rates for 6-month Eurodollars, itself switchable at par into the perpetual note in 1987, 1988 and 1989. Payable Aug. 10. Commissions 0.45%.
Italian Int'l Bank	$ 60	1991	¼	100	—	98.85	Over 6-month Libor. Minimum coupon 5¼%. Callable at par in 1985.
IU Int'l Capital	$ 75	1992	½	100	—	—	Over 3-month Libor. Minimum coupon 5½%. Redeemable at par in 1989.
FIXED-COUPON							
Statoil	$100	1989	13½	100	13½	98.25	Noncallable.
Ireland	DM 100	1992	8¼	99½	8.34	97.38	Noncallable private placement.
Sperry Curacao	DM 150	1994	8	100	8	98.88	Callable at 101½ in 1989.
Caisse d'Aide à l'Equipement des Collectivités Locales	ECU 45	1991	11¼	100	11¼	98.50	First callable at 100½ in 1989.
Oesterreichische Kontrollbank	£ 30	1991	12¼	100	12¼	98.13	Noncallable.
Dai-Ichi Kangyo Bank Neth.	DF 50	1989	8½	100	8½	99.00	Noncallable private placement.
EQUITY-LINKED							
Ferrofluidics Overseas Finance	$ 10	1990	—	99	—	—	No coupon. Each $1,000-note is either exchangeable, starting July 1985, for 200 shares of Spin Technologies Inc., in which case holders will receive a $200 cash refund, or convertible at an anticipated 20% premium into shares of Ferrofluidics Corp. Terms to be set Aug. 15.

Argentines, Banks, IMF Seen Getting to Grips With Problems

United Press International

NEW YORK — As U.S. banks were once again saved from listing some of Argentina's loans as overdue, there were welcome signs that Argentina, commercial banks and the International Monetary Fund finally are coming to grips with the country's debt problems.

Economy Minister Bernardo Grinspun announced Friday that Argentina was to make a $225-million interest payment from its reserves, while a group of U.S. banks, led by Citibank of New York, had agreed to make a short-term loan of $125 million.

Argentina's payment was credited to banks Friday. The bank loan, secured with Argentine deposits at the Federal Reserve Bank of New York, was to be paid Monday. This means the $125-million portion of the interest will not be credited to the second quarter.

Four Latin American countries, Brazil, Mexico, Colombia and Venezuela, agreed to extend until July 31 a $300-million bridging loan that was granted in March to pay interest due at the end of that month. That loan was to have expired June 28.

"The receipt of the monies is welcome at any time," said James McDermott, senior vice president at Keefe Bruyette & Woods, an investment banking house.

"But the really important steps were taken when the IMF rejected Argentina's letter of intent and the U.S. regulators tightened their reporting rules for banks," he said.

The IMF rejection was an incentive for Argentina to reconsider its economic program and brought home to the IMF the seriousness of Argentina's political and economic problems.

"The IMF has got to find a way to accept what Argentina can realistically do in the way of an austerity program," said Martin Schubert, chairman of Eurinam Finance Corp. "There is a precedent in Brazil — last year they rewrote the letter of intent when Brazil showed it couldn't meet original terms."

"Who is to say Argentina is not being completely above board. They could have signed any letter, gotten their money and then say in a couple of months, 'We haven't met the terms.'"

For the banks' part, the clarification of accounting rules by the Comptroller of the Currency "provided them with necessary perspective on the Argentine debt," Mr. McDermott said.

The comptroller recently told banks that beginning July 1, they will be able to report as earnings only interest they actually have in hand.

Standard bank accounting practice has been to accrue interest as earnings even if the money has not been received. On March 30, Argentina's interest was paid only through Jan. 2, but banks were allowed to report interest as paid for the whole three months ended March.

Friday's package will bring Argentine interest current through early April.

Chase Manhattan, Manufacturers Hanover and Morgan Guaranty Trust, all with big exposure in the Argentine public sector, said they will abide by the comptroller's recent ruling for the second quarter, even though it does not apply until July.

This means they will report as earnings only the money they have in hand. Other major banks have indicated a similar policy.

"We believe all parties have come to grips with the situation and there is a feeling of confidence that an Argentine-IMF agreement will be in place by August at the latest," Mr. McDermott said.

■ Progress Report Cited

A progress report from the IMF to a steering group representing bank lenders in Argentina apparently set the stage for payment by Argentina of overdue interest, according to senior monetary officials, Clyde H. Farnsworth of The New York Times reported from Washington.

The report was described as a straightforward and objective account of talks last week between the fund and Argentine negotiators.

"It was a message that talks are continuing and that some progress was made in defining points of difference," one official said.

The discussions between Argentina and its commercial lenders are on a separate track from the negotiations between Argentina and the fund, officials in Washington stressed.

Some banks in the steering group have conditioned their participation in any new credit package on an agreement between the fund and Argentina. Others, according to analysts here, have taken a softer line.

The IMF has told Argentina that it still has to show deeper cuts in public expenditures to meet conditions for the crucial emergency loan.

Senate Approves Tougher Penalties for Insider Trading

New York Times Service

WASHINGTON — The Senate has approved legislation that would set stiffer penalties for the illegal use of insider information in the trading of securities.

The measure, the Insider Trading Sanctions Act of 1984, would allow the Securities and Exchange Commission to seek civil penalties of up to three times the profit gained, or loss avoided, by persons who illegally buy or sell securities.

The bill, sponsored by Senator Alphonse M. D'Amato, Republican of New York and chairman of a subcommittee that oversees the SEC, would also increase tenfold to $100,000 the maximum fines for most criminal violations of the federal securities laws.

The fines have not been increased since the enactment of the Securities Exchange Act of 1934. However, the maximum jail term for such infractions, which include market manipulation and fraud, would be left at five years.

The Senate approved the measure Friday by voice vote after less than 30 seconds of consideration. The House approved a companion measure last September.

The bill was proposed by the SEC as part of its drive on insider misconduct — trading in stock on the basis of information not available to the public. Insiders are usually regarded as corporate officers, directors and controlling stockholders.

U.S. May Become a Tax Haven for Investors

(Continued from Page 13)

office of Bear, Sterns and possibly others. Fraudulent trades made to enrich the dealers are estimated to total into the millions and this discovery has prompted auditors to descended on many trading departments, casting a further pall over market activity.

In difficult markets, such as this, bankers have traditionally relied on innovations to excite investors — drop-lock bonds, retractable maturities, partial payments and zero coupons. The newest wrinkle to hit the market is the no-coupon convertible bond.

Basically, this is a venture-capital stock offering giving investors an option to buy shares in a company that is expected to go public in two years or more. Investors who do not want to wait for that to happen, or if it never happens, are also offered the option to convert into shares of an existing company. Thus, this is the first convertible to offer investors a double option to buy shares in two separate companies.

The company behind the issue is Ferrofluidics, whose shares — traded over-the-counter — have ranged in price so far this year from a low of 6½ to a high of 10¼. The shares are currently valued at just over $8 each. Ferrofluidics, which went public in 1981, describes itself as a pioneer and world leader in ferrofluid (magnetic fluid) technology. Its products are used by the semiconductor industry, in computer hardware and in high fidelity loudspeaker systems.

It has created, and spun off to a new company called Spin Technology Inc., a new process to increase data-storage capacity and reliability of hard-disk drive systems in computer peripheral equipment. In essence, it is making a ferrofluid *film-bearing spindle* to replace the traditional ball-bearing-supported spindles currently used. Its spindle has been produced in prototype and is in the process of evaluation by a number of equipment manufacturers, company officials report.

The issuer of the $10-million convertible bond is Ferrofluid Overseas Finance Corp. The bonds are being offered at a discount of 99. Holders can convert into shares of Spin Technology, starting next July, with each $1,000 bond purchasing 200 shares. In addition, there will be a cash refund of $200 — meaning the stock purchase will have cost $790 ($990 subscription price less $200 cash refund).

The bondholders, if they all convert to Spin, would own 25 percent of the company, or two million shares out of a total of 8 million shares. The remaining six million shares would be held by Ferrofluidics in exchange for the technology it passed to the company.

If Spin Technology never goes public, stockholders could exchange their shares into stock of Ferrofluidics at a ratio of eight Spin shares for five Ferro shares. This conversion could be begun in July 1987 (converting a maximum of 65 percent of Spin holdings into Ferro), or July 1989 (when 70 percent can be converted), or in 1990 (when 80 percent can be converted).

Alternatively, bondholders can convert directly into Ferrofluidics starting in December, at a premium that is expected to be set at about 20 percent over the average price prevailing during the seven trading days preceding the pricing, which is expected to be Aug. 15. This route, however, offers no cash rebate and no option to go back into Spin Technology.

The bond pays no interest. The entire lure of this offering is that Spin does go public and that the share price then established represents a quantum leap in value over what bondholders paid for their two million shares.

The proceeds of the bond issue will divided with about half going to finance the launching of Spin and the remainder used to purchase zero-coupon bonds of 2-A or 3-A-rated U.S. companies. The zeros will be placed in a trust and will be used to redeem bondholders who do not convert into shares when the issue matures in October 1990.

Banque Gutzwiller, Kurz, Bungener of Geneva is managing the issue.

There was little other new business announced last week. Belgium returned to the floating-rate-note market with an offer of $300 million of perpetual bonds. Using the forumula successfully adopted by Sweden last month, the notes can be converted into four-year notes on an anniversary. But exercising this option results in a lower interest payment.

The perpetual notes bear interest at ¼-point over the London interbank offered rate. The four-year notes bear interest at no margin over the mean of the bid-offered interbank rate, which means at 1/16-point below Libor.

The one unattractive feature, in standing with Belgium's concern that the tax-free paper winds up in the portfolio of Belgian citizens, is that the notes are only in registered form and sold in minimum units of $250,000.

Italian International Bank, based in London, is offering $50 million of seven-year FRNs paying ¼-point over Libor.

IU International is selling $75 million of eight-year notes which holders can redeem after five years. Interest is set at ½-point over three-month Libor. The notes are not guaranteed by the parent U.S. company but are secured by $100 million of preferred stock. This makes the FRN a subordinated instrument as preferred stockholders rank behind senior long-term debtors in the event that the company is ever liquidated.

Statoil, which offered $100 million of five-year notes at par bearing a coupon of 13½ percent, was a big disappointment for the market. Analysts were united in agreeing the credit was attractive and the terms were appropriate, but investors could not be lured into making a commitment and the notes ended the week quoted on a when-issued basis at a discount of 98¼.

Deutsche-mark bonds were not hurt by last week's half-point rise in the discount rate, bankers said. They noted gratefully that the Lombard rate (discounting against collateral) was held unchanged. Nevertheless, with the mark sagging and the rate outlook unsure, there was very little demand for new issues.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds. The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1⅛. But Ireland's 100-million DM of eight-year notes, offered at 99½ bearing a coupon of 8¼ percent, ended the week down 2⅛ points.

After Legislation, Bankruptcy Courts In U.S. Should Be Resuming Work

By Bill Keller

New York Times Service

WASHINGTON — Bankruptcy legislation just approved by Congress should have the nation's 227 bankruptcy judges back in business this week, according to congressional lawyers who drafted the legislation's language.

The legal authority of the bankruptcy courts expired at midnight last Wednesday, following four stopgap extensions by Congress. Since then, federal district court judges have been handling urgent bankruptcy cases.

But lawyers for the federal court system and the Justice Department were uncertain whether the rescue designed by Congress would stand up to legal challenge. The bill approved Friday automatically extends the terms of current bankruptcy judges, a provision some lawyers believe may exceed congressional authority.

"There is a problem," said William Weller, a spokesman for the Administrative Office of the Courts, the governing body for the federal court system. "We're deferring to the Justice Department, but I know they're as concerned as we are."

Mr. Weller said if the congressional rescue proves to be legally doubtful, the courts will proceed under an interim plan that has been in effect since last week. He predicted serious disruptions would be avoided.

The new bankruptcy bill, attempting to comply with a 1982 Supreme Court ruling, limits the jurisdiction of the bankruptcy courts and provides for bankruptcy judges to be appointed to 14-year terms by regional appeals courts.

To make the new law effective as quickly as possible, lawmakers voted to extend the terms of present judges until at least October 1986.

Representative Peter W. Rodino Jr., a Democrat of New Jersey and chairman of the House Judiciary Committee, told the House Friday that the bill, when signed by the president, should restore the judges' jurisdiction without further interruption.

Mr. Weller, however, said the congressional extension of authority may amount to appointment of judges by Congress.

"There is a problem because the constitution clearly vests appointment authority in the executive branch and in the courts," he said. "It does not vest appointment authority in the legislature."

Justice Department lawyers were not available for comment.

Mr. Weller said that if the congressional plan seemed too risky, the courts would proceed with an interim plan to appoint bankruptcy judges as magistrates. Magistrates would have power to try bankruptcy cases, if all parties agreed to abide by the outcome. District court judges would continue to handle matters not strictly related to bankruptcy law.

Times Mirror, Storer to Swap Cable-TV Systems

Los Angeles Times Service

LOS ANGELES — In one of the largest transactions of its kind, Times Mirror Co. and Storer Communications Inc. said that they have agreed to swap cable-television systems in several cities.

The transaction has an estimated value of about $200 million. It includes a small amount of cash to be paid by Times Mirror to Storer Communications, the companies said Friday.

Los Angeles-based Times Mirror, a major cable-television operator that also publishes the Los Angeles Times and other newspapers, will trade its systems in North Little Rock and Jacksonville, Arkinsaw, Point Pleasant Beach, New Jersey, and Louisville, Kentucky, for Storer Communications's systems in Phoenix, Mesa and Paradise Valley, Arizona, and in Laguna Beach, California.

The swap will benefit both companies, said Sharon Armbrust, an industry analyst at Paul Kagan Associates in Carmel, California. For Times Mirror, it will reduce competition for subscribers with Storer Communications in each of the areas. Storer will be in a better position to reduce a $700 million debt from the building of cable-television systems over the last five years.

Over-the-Counter

NEW YORK (AP)-Weekly Over the Counter stocks giving the high, low, and last bid prices for the week with the net change from the previous week's last bid prices. All quotations supplied by the National Association of Securities Dealers, Inc. are not actual transactions but are representative interdealer prices at which these securities could have been sold. Prices do not include retail markup, markdown or commission.
Sales supplied by NASD.

			Sales in 100s	High	Low	Last	Net Ch'ge
A							
A M Fd			250	6¼	5¾	5¾	— ½
AA Imo			509	4	4	4	
ABS h	.12e	2.0	80	6	6	6	
ABC s	.16f	1.3	M	12¾	12¾	12¾	
AEL In			310	29	27	27½	— 1½
AFP			116	3¾	3¼	3¾	+ ¼
A1A un			1	2½	2	2¼	
AMCbl			596	3¾	2¾	2¾	— ¾
AMC	.12e	1.0	519	12¾	11½	12¾	+ ¾
AT&E			156	5¼	4¼	3	— ¼
ATE		1	57	5¼	3¼	5¼	
ATV			305	1½	1	1⅛	— ⅛
AVM Co			243	7	6¾	7	+ ¼
Abrams	.32b	3.5	30	9¼	6	9¼	
AcapRs			52	8	4⅞	5	+ ½

[illegible]

(Continued on Page 17)

NASDAQ National Market

	Sales in 100s	High	Low	Close	Net Ch'ge
[illegible]					

Chicago Exchange Options

For the Week Ending June 29, 1984

Option & price	Calls			Puts		
[illegible]						

Open interest

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(Continued from Page 16)

	Sales in 100s		High	Low	Last	Net Ch'ge
MCSB			95	13½	13	13⅛ + ½
Moslnee	.34e	2.5	108	14½	13⅞	13¾ — ⅜
Mueller	1.70	8.4	41	23	20	20¼ —2¾
Multbk s	.92	3.3	98	27¼	27½	27½
MutREI	.25e	2.6	30	10⅛	9¾	9¾ — ½
MutOil			278	2⅞	7½	2⅝
MutSvL	1.00	2.5		36	36	36
N						
NBSC	.76	6.3	12	12	12	12
NCB	2.60	5.8	78	45	45	45
NEC	.144	.5	701	26¼	25⅞	25⅞ + ½
NFA			48	6⅝	6⅝	6⅝
Nopcol			28	8	7½	7½ — ½
NorrsC	3.20	7.1	32	45½	45¼	45¼ — ¼
NashF s	.96	6.9	49	14	13⅞	14

Over-the-Counter

LTV, Republic Complete Merger

United Press International

DALLAS — LTV Corp. has officially acquired Republic Steel Corp. for $770 million, forging the second-largest U.S. steel company, an LTV spokesman said.

The new company, to be called LTV Steel and formed by Republic and LTV's subsidiary Jones & Laughlin, has the capacity for 24 million tons of raw steel and will employ 46,000 people. Headquarters will be in Cleveland, the spokesman said Friday.

Final closing and merger documents have been filed with the secretaries of state in New Jersey and Delaware, but the federal district court for the District of Columbia is still reviewing comments filed in response to a Justice Department consent decree to determine whether the proposed judgment is in the public interest.

Consolidated Trading Of NYSE Listings

Week Ended June 29

Consolidated Trading Of AMEX Listings

Week Ended June 25

	Sales	High	Low	Last	Ch'ge
MichlE	378,300	19⅝	15	19⅝	+4¼
Helzer	349,400	17½	17¼	17⅛	
TexAir	326,800	7½	6⅞	7½	+⅜
AlloxVn	326,200	17⅞	17⅛	17⅞	—⅜

Volume: 23,970,000 shares
Year to Date: 751,890,000 shares
Issues traded in: 908
Advances: 326 ; declines: 619
Unchanged: 163
New Highs: 23 ; new lows: 104

Treasury Bills

Source: Federal Reserve Bank.

First Texas, Gibraltar Form 11th Largest S&L

Reuters

DALLAS — First Texas Savings Association said its previously announced merger with Gibraltar Savings Association, creating the 11th largest savings and loan institution in the United States, has been officially approved by federal banking authorities.

Texas's chairman, J. Livingston Kosberg, said Friday the two institutions will operate under their original names and with current management. Gibraltar is involved in residential development, and First Texas in commercial real estate lending, electronic banking and related data processing. The total assets of the holding company will be $7.1 billion.

Gold Options (prices in $/oz.)

Rates Fall as Lenders Compete for Scarce Loans

By Carl Gewirtz

International Herald Tribune

PARIS — The paucity of syndicated bank loans so far this year for borrowers in the major industrialized countries has lenders scrambling to participate in the few loans actually coming to market.

Data published last week by the Organization for Economic Cooperation and Development show that medium-term external bank loans to borrowers in its 24 member countries totaled only $9.7 billion. Including the loans announced in June, the total for OECD-based borrowers in the first six months may just about match the very slow pace of the previous six months when $15.3 billion was borrowed.

At the current pace, lending to borrowers in the OECD area this year will drop back to around a $30-billion annual pace, which was last seen in 1979.

This slowdown reflects the shift away from direct bank borrowing in favor of less expensive capital market transactions and quasi-public arrangements, such as Euronote placements backed by underwriting commitments of commercial banks.

As a result, there is tremendous competition among banks for new credits and this is pushing down rates, stretching maturities and prompting questions about how much easier terms on syndicated loans can get.

Enormous demand for participation in the credit for Electricité de France, for example, resulted last

SYNDICATED LOANS

week in EDF agreeing to raise the size of its loan to $800 million, double the initial offering and 30 percent more than EDF had indicated as its maximum goal.

The 10-year loan carries an annual commitment fee of 10 basis points and the cost of drawings, scaled according to amount used rather than by duration, ranges from 15 basis points over the London interbank offered rate if no more than one-third of the loan is drawn to a maximum of 45 basis points over Libor if it is all taken.

The response to Sweden's request to reduce to $3 billion from $3.5 billion and renegotiate lower terms for a standby line of credit has also been strong. Managers expect that subscriptions will easily surpass $3.5 billion and speculate that it could finally total close to $5 billion. While the Swedes have indicated they only want a line of $3 billion, bankers wonder whether the amount might not be increased if demand turns out to be as strong as now expected.

Sweden is paying an annual fee of ⅛ percent and drawings, on which charges are also scaled by amount rather than duration, will cost from ¼ point over Libor up to ½ point over.

Even the controversial $1-billion standby credit for Denmark is finding support. After a difficult time of getting banks to underwrite the full $1 billion, market rumors had it that Denmark would raise no money in general syndication. Its loan is designed never to be drawn, but in return Denmark is paying a record low 0.05-percent commitment fee.

Despite considerable resistance to that low level, managers say $100 million has been raised so far in general syndication and the books are still not closed.

This week, Portugal is expected to seek a $300-million, seven-year loan with the margin set at ¾ point over Libor for the first three years and ⅞ point over for the remainder. This is slightly better than the ⅞ point over Libor it previously paid. In addition, there will be no option for banks to price part of the loan over the more expensive prime rate, an option Portugal has had to give lenders in the past.

Potential lead managers, who have been invited to Lisbon this week, will be asked to underwrite $20 million each.

Also expected to tap the market soon for up to $250 million is Greece's Public Power Corp. Bankers also expect Italian borrowers to become more active in renegotiating terms on their expensive prime-Libor outstanding loans.

The long discussed loan by an Arab syndicate of banks led by FRAB-Bank of Paris for the Soviet Foreign Trade Bank was finally completed after months of discussion. The terms were set in line with those recently accorded by a syndicate led by Dresdner Bank and the amount was increased from the initially proposed $100 million to $150 million. The loan runs for five and a half years, with a grace period of two and a half years. Interest is set at ⅝ point over Libor, down from the ¾ point over Libor for seven years that had initially been discussed.

Wal-Mart Chain's Growth Is Outpacing Its Rivals

(Continued from Page 13)

some smart people to work for me and we avoided mistakes that the others made."

Mr. Walton's stamp is everywhere on the company. But analysts say this very dominance could develop into a problem.

Mr. Walton insists he has no plans "to quit now nor at any other time" and insiders deny any potential problems with succession. But there are concerns in the industry that Mr. Walton's departure could wound Wal-Mart in much the same way that Harry Cunningham's retirement hurt K mart Corp. and Fred Lazarus Jr.'s death set back Federated Department Stores.

Another question stems from whether Wal-Mart can sustain its huge growth plans, which call for doubling sales every two to three years, opening 100 to 125 stores a year and moving into new territories and businesses.

Wal-Mart's strategy combines an aggressive expansion program with a state-of-the art computerized merchandise information system, a tight rein on expenses, a strong distribution network and a progressive employee relations program.

In the last five years, according to First Manhattan Corp., a brokerage firm, Wal-Mart's annual sales grew by an average of 39 percent, higher than K mart's 10 percent. Wal-Mart, which is about one-third the size of K mart, had $4.6 billion in sales for the 1984 fiscal year, which ended Jan. 31.

Margaret A. Gilliam, analyst for First Boston Corp., New York, estimated that sales will be $6.5 billion this year and is optimistic that its strong growth can be sustained.

Mr. Walton and his top team project sales of $12 billion in four or five years and profit of about $300 million or more by then.

Already, Wal-Mart dominates many large rural markets in Arkansas, Missouri, Louisiana, Oklahoma and Texas, where more than half of its 660 stores are.

Recently it has begun to move into such medium-sized cities as Little Rock, Arkansas, Springfield, Missouri, and Shreveport, Louisiana. It is opening stores on the fringes of larger cities, such as Kansas City, Missouri, Dallas and St. Louis. But while Wal-Mart insists that it has no plans to go national, analysts say its geographic expansion is crucial.

"The key is going to be Wal-Mart's ability to take advantage of all the opportunities as it moves toward national representation," Mrs. Gilliam said.

Wal-Mart is also opening a new type of retailing operation, membership discount stores called Sam's Wholesale Clubs. They cost little to operate and Wal-Mart hopes they will add at least $1 billion to sales by the end of 1986.

The venture started this year with stores in Oklahoma City, Dallas and Kansas City, Missouri. The three stores are "very profitable," Jack Shewmaker, Wal-Mart's president, said. The company estimates current sales of $100 million and expects sales of $200 million by the end of the year. Plans are to open six to seven more units this year.

Wal-Mart's overall strategy is simple: It combines low operating costs, an emphasis on providing national brands at discount prices and an effort to dominate its market wherever it bases its stores. It trims prices by cutting distribution costs and putting pressure on suppliers to lower prices.

Its operations have given it competitive clout that has hurt its competitors.

John Ternes, a former K mart district manager who now manages Wal-Mart's North Fayetteville, Arkansas, store, said that K mart uses "too many imports and letters of credit that may have run up against the Southern stigma on imports and didn't let them take advantage of domestic opportunities. And K mart went too heavily into private labels when customers around here are very national-brand conscious."

Sam Walton's family moved from Oklahoma to Columbia, Missouri, when he was young. In 1940, the University of Missouri awarded him a baccalaureate degree in business administration and he later spent two-and-a-half years in Des Moines working as a trainee at J.C. Penney.

With his brother, James, a co-founder of Wal-Mart and now a senior vice president, he operated a franchised chain of 17 Ben Franklin Variety Stores, turning them into the largest regional variety store franchise in the country. In 1962, the brothers began Wal-Mart.

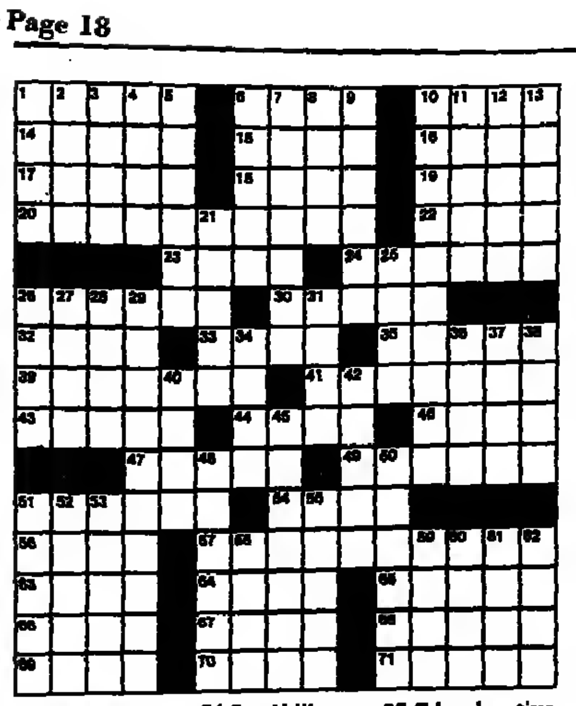
"The big discount entrepreneurs were in the East and hadn't come here yet," Mr. Walton said.

"Even so, we were latecomers because there were already Wonlco discount stores here, K mart and Kuhn-Big K stores, along with small regional chains like ours.

"I had no vision of the scope of what I would start. But I always had confidence that as long as we did our work well and were good to our customers, there would be no limit to us."

Those who work closest with Mr. Walton say he has boundless energy and "an extremely positive attitude." His lifelong efforts have made him one of America's richest men, with assets of $260 million and more, mostly from company stock, according to the Forbes article. The Walton family owns about 40 percent of the stock, insiders another 8 percent.

Although retail stocks will likely remain out of favor with investors in coming months, said Stanley H. Iverson, analyst for Duff & Phelps Inc., Chicago, Wal-Mart "is our first choice among all general merchandisers for the longer term." It has recently sold at $38 a share.



ACROSS

1 Jogger's cousin
6 Walked
10 Lively party in London
14 Mountain ridge
15 Precept
16 Biblical preposition
17 Epitome
18 "—— a man with . . ."
19 Duck or color
20 Clavicle
22 Weight deduction
23 Series of rows
24 Dashing
26 Added piquancy
30 Rock star John
32 Victim of a matador
33 Within: Comb. form
35 Charter
39 All together
41 Heckles
43 Full of substance
44 Molt
46 Employs
47 New Mexico colonizer
49 Obtrude upon others
51 Annoyed
54 Sand hill
56 Consort of Zeus
57 Two-piece fastening
63 Winged
64 Author Ferber
65 Present time
66 Far from obese
67 U.S. journalist Jacob
68 Papal vestment
69 Fish dish
70 Suffix with differ or defer
71 Fictional uncle

DOWN

1 Secular
2 Word on a dollar bill
3 Rind
4 Lat. catchall
5 Tell
6 Societal group
7 Circulated hearsay
8 Lycian poet
9 Execrate
10 Fastened, in a way
11 Close by, poetically
12 Set into motion
13 Like Swiss cheese
21 Ridicules persistently
25 Gdansk native
26 Dam up
27 Cornmeal bread
28 "My Friend ——"
29 A family insignia
31 Isolated
34 Snug retreat
36 As well
37 Regards
38 Sum, ——, fui . . .
40 "Auld Lang ——"
42 Minneapolis suburb
45 Concerning pleasure
48 Cleave
50 Wise counselor
51 Hunt the fox
52 Golden-ram rider
53 Thin as ——
55 Arbitrary proclamation
58 Scandinavian god
59 Illustrator of Dante works
60 Dutch treat
61 Manchurian river
62 Features of Laura Mars

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DENNIS THE MENACE

"HEY! WHICH WAY DID THE FIRE TRUCKS GO?"

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

YOOBT

DUMIO

ORTETT

GUMPSY

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer: THE ON

(Answers tomorrow)

Friday's | Jumbles: KNACK TULIP NOZZLE CASHEW
Answer: What some people do at sneak previews—SNEAK OUT

WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F	
Algarve	24	75	14	57	fr
Amsterdam	17	63	6	41	fr
Athens	31	88	16	66	fr
Barcelona	27	8	17	63	cl
Belgrade	24	75	15	59	cl
Berlin	15	59	10	50	sh
Brussels	17	63	4	39	fr
Bucharest	21	70	16	61	sh
Budapest	22	72	15	59	fr
Copenhagen	15	59	8	46	o
Costa Del Sol	32	90	19	66	fr
Dublin	14	57	6	46	o
Edinburgh	16	61	8	46	o
Florence	27	81	13	55	cl
Frankfurt	19	66	3	38	fr
Geneva	24	75	10	50	cl
Helsinki	16	59	11	52	sh
Istanbul	27	81	18	66	fr
Las Palmas	24	75	18	64	fr
Lisbon	23	72	15	59	cl
London	21	70	10	50	cl
Madrid	25	77	15	59	fr
Milan	27	81	18	64	cl
Moscow	20	68	10	50	cl
Munich	20	68	8	46	fr
Nice	25	77	17	63	o
Oslo	16	59	10	50	sh
Paris	21	70	11	52	cl
Prague	19	66	6	43	fr
Reykjavik	13	55	6	43	fr
Rome	29	84	17	63	fr
Stockholm	19	66	10	50	st
Strasbourg	22	72	6	43	fr
Venice	27	81	17	63	fr
Vienna	15	59	11	52	fr
Warsaw	13	55	8	46	sh
Zurich	12	54	10	50	fr

MIDDLE EAST	HIGH C	HIGH F	LOW C	LOW F	
Ankara	29	84	13	55	fr
Beirut	30	86	22	72	fr
Damascus	29	84	17	65	fr
Jerusalem	29	84	16	61	fr
Tel Aviv	30	86	21	70	fr

OCEANIA	HIGH C	HIGH F	LOW C	LOW F	
Auckland	18	64	10	50	sh
Sydney	17	63	10	50	o

ASIA	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	32	90	25	77	cl
Beijing	27	81	25	77	o
Hong Kong	23	61	24	75	cl
Manila	30	86	26	79	st
New Delhi	30	86	26	79	o
Seoul	25	82	25	77	o
Shanghai	28	82	26	79	cl
Singapore	27	81	24	75	sh
Taipei	29	84	25	77	o
Tokyo	22	72	16	59	o

AFRICA	HIGH C	HIGH F	LOW C	LOW F	
Algiers	30	86	23	72	fr
Cairo	35	95	20	68	fr
Cape Town	18	64	14	57	r
Casablanca	23	73	18	64	cl
Harare	16	61	10	50	o
Lagos	30	86	24	75	o
Nairobi	21	70	9	48	cl
Tunis	35	95	15	59	fr

LATIN AMERICA	HIGH C	HIGH F	LOW C	LOW F	
Buenos Aires	17	63	10	50	fr
Lima	19	66	16	61	o
Mexico City	27	77	14	57	cl
Rio de Janeiro	22	72	17	63	cl
Sao Paulo	—	—	—	—	na

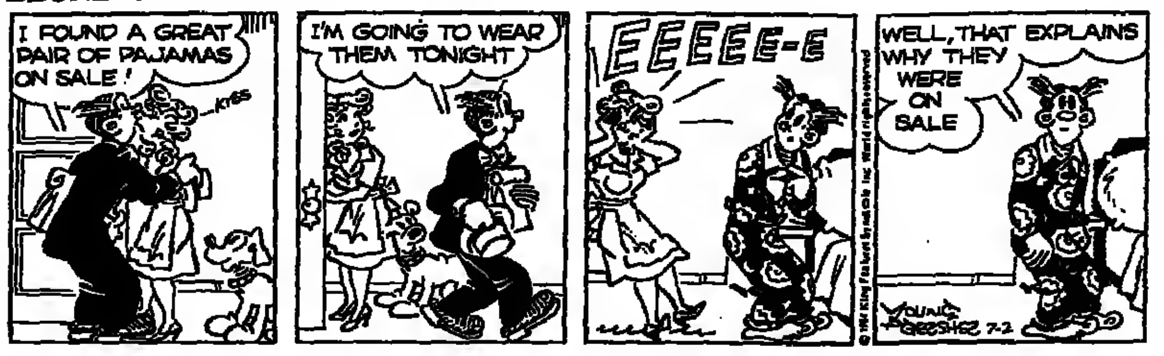
NORTH AMERICA	HIGH C	HIGH F	LOW C	LOW F	
Anchorage	16	64	12	54	pc
Atlanta	28	82	19	66	pc
Boston	23	73	18	64	sh
Chicago	25	77	11	52	fr
Denver	22	72	14	57	cl
Detroit	25	77	13	50	pc
Honolulu	30	86	22	72	fr
Houston	34	93	21	70	pc
Los Angeles	30	86	19	46	fr
Miami	32	90	25	77	pc
Minneapolis	28	82	15	59	pc
Montreal	27	81	16	61	fr
Nassau	32	90	25	77	fr
New York	21	70	20	68	sh
San Francisco	31	88	13	55	fr
Seattle	23	72	11	52	fr
Toronto	23	73	11	52	fr
Washington	28	82	20	68	cl

cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy

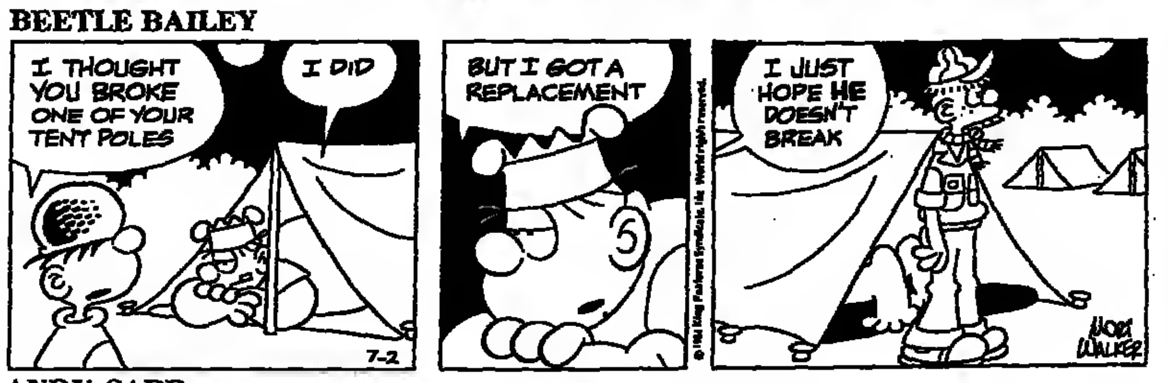
MONDAY'S FORECAST — CHANNEL: Slight. FRANKFURT: Partly cloudy. Temp. 17—9 (63—48). LONDON: Partly cloudy. Temp. 19—8 (66—46). MADRID: Fair. Temp. 35—15 (95—59). NEW YORK: Cloudy. Temp. 28—83 (18—64). PARIS: Partly cloudy. Temp. 21—12 (70—54). ROME: Stormy. Temp. 30—18 (86—64). TEL AVIV: Fair. Temp. 31—21 (88—70). ZURICH: Stormy. Temp. 23—11 (73—52). BANGKOK: Cloudy. Temp. 33—25 (91—77). HONG KONG: Fair. Temp. 32—26 (90—79). MANILA: Showers. Temp. 29—23 (84—73). SEOUL: Cloudy. Temp. 32—20 (90—68). SINGAPORE: Stormy. Temp. 31—26 (88—79). TOKYO: Foggy. Temp. 27—17 (81—63).

PEANUTS

BLONDIE



BEETLE BAILEY



ANDY CAPP

WIZARD of ID

REX MORGAN

GARFIELD

BOOKS

LIZZIE

By Frank Spiering. 352 pp. $17.95. Random House. 201 East 50th St., New York, N.Y. 10022.

LIZZIE

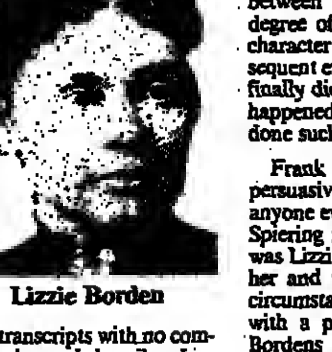
By Evan Hunter. 430 pp. $16.95 Arbor House. 235 East 45th St., New York, N.Y. 10017.

Reviewed by Thomas M. Disch

HERE, virtually yoked together by the coincidence of simultaneous publication, are two books about the United States's most acclaimed murderess (at least in the category of Family Tragedy), Lizzie Borden. Both are titled "Lizzie," and both agree that she was guilty, if not quite as charged, of the crime for which she has been so celebrated in history and light verse:

Lizzie Borden took an ax
And gave her mother forty whacks;
When she saw what she had done
She gave her father forty-one.

There, however, resemblance ceases, for Frank Spiering's "Lizzie" is a nonfiction reconstruction of the crime and its long (and dramatically compelling) aftermath, while Evan Hunter's is a novel, albeit a novel incorporating a hundred or more pages of less-than-riveting transcript from the inquest and trial. The fictional components in this demi-faction is shuffled into the trial transcripts with no compelling dramatic necessity and describes Lizzie's tour of a fin de siecle Europe where the murderess-to-be is subjected to the longest, slowest seduction since Marjorie Morningstar's.



Lizzie Borden

Parricide is a crime that appeals (if Freud is right) to the child in all of us, and Lizzie's was on a truly mythical scale — not only because of its violence and the fact that she got away with it and lived to spend Daddy's money applying gold-leaf to her bedroom ceiling, but because she came to her vocation late in life, at age 32. She is the archetype of the smoldering spinster. Such is the innate fascination of her crime that most readers will willingly overlook narrative irritants of style and pacing (Hunter is guilty of many) if the solution that's offered is able to account for those questions which, by their lack of an answer at the trial, led to acquittal: Why was the murder weapon never found? Why, given the double bloodbath, could no garments be discovered with appropriate stains?

With respect to offering the careful armchair detective a satisfactory account of these and other conundrums, Spiering's "Lizzie" is the hands-down winner. Hunter's solution to the mystery is to suppose collusion between Lizzie and the Borden's maid, Bridget, whom he represents as having been caught in flagrante delicto by Mrs. Borden. The elegance of this theory is the possibility (undreamt by her contemporaries) that there was no blood on Lizzie's clothes because she did the deed in the nude. There's certainly a good painting to be had from that idea, but it doesn't really simplify matters, since Hunter's scenario requires Lizzie to be dressed for her second murder later in the morning.

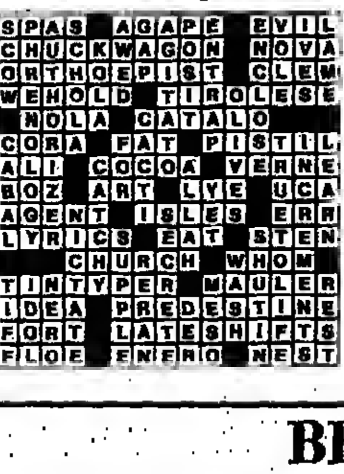
It also requires a degree of coordination between Lizzie's and Bridget's alibis and a degree of staunchness and guile in Bridget's character that neither the transcripts nor subsequent events would seem to bear out. Hunter finally did not persuade me that it could have happened as he imagines. Bluebeard may have done such things, but not Lizzie.

Frank Spiering's theory is altogether more persuasive and probably comes as close as anyone ever will to being a definitive solution. Spiering maintains that the actual murderess was Lizzie's sister, Emma, with Lizzie abetting her and taking all the heat. He collates the circumstantial evidence amassed at the trial with a psychological family portrait of the Bordens that never violates (as Hunter's X-rated scenario does) a sense of Victorian probabilities. At the same time the tragic dimensions of the materal is much more evident in this handling. His Lizzie is heroic in her lifelong assumption of public obloquy, and his Emma, though necessarily a more shadowy presence, finally becomes her sister's equal in psychological interest. Not since Joan Crawford and Bette Davis in "Whatever Happened to Baby Jane?" have I encountered such a well-matched and sinister pair of sisters.

Without the bad luck of its timing, I would surely have enjoyed Hunter's "Lizzie" more, and true-crime buffs might well enjoy checking out his last chapter, if only as a kind of litmus test of Spiering's theory. But I have no doubt at all that if Spiering had been the prosecutor, Lizzie — and Emma — would have paid for their crimes — and the United States would have been deprived of a great legend.

Thomas M. Disch, a novelist who wrote "The Businessman: A Tale of Terror," wrote this review for The Washington Post.

Solution to Friday's Puzzle



BRIDGE

By Alan Truscott

ON the diagramed deal, South played in four spades, and the defense took two heart tricks at the start. East shifted cunningly to the club nine, which was covered by the jack, queen and ace.

The ten was now open to a finesse, but South did not know it. He thought it likely that West held the guarded ten and planned a partial elimination. This succeeded, although not quite in the way he expected.

South drew two rounds of trumps, cashed the club king and played a third club. He was hoping to force a diamond lead from West if that player began with two trumps and three clubs. He would then play the ten from dummy, since if West held the king, East would have seized the opportunity to ruff the third round of clubs.

As it happened, it was East who held the doubleton spade and three clubs and was end-played. It would not have helped West to ruff and lead a diamond, for South would have no trouble guessing. If West held the king of diamonds, he would not choose to ruff.

So a game was made that was defeated in the replay. South would probably have failed if East had shifted to a trump at the third trick, for the try for a partial elimination, though elegant, is mathematically a shade worse than the routine finesse.

NORTH
♠ A J 4
♡ J 5
◇ Q 10 4 2
♣ A 6 4 3

WEST
♠ 8 6 5
♡ K Q 10 8 3
◇ J 6 3
♣ Q 7

EAST
♠ 7 3
♡ A 9 7 2
◇ K 9 8 5
♣ 10 9 2

SOUTH (D)
♠ K Q 10 9 2
♡ 6 4
◇ A 7
♣ K J 8 5

North and South were vulnerable.
The bidding:

South	West	North	East
1 ♠	Pass	2 ♣	Pass
3 ♣	Pass	3 ♠	Pass
4 ♠	Pass	Pass	Pass

West led the heart king.

SPORTS BRIEFS

Price Retains Lead in Canadian Open Golf

OAKVILLE, Ontario (AP) — Nick Price squandered a shot in the water on the 18th hole, but managed to retain a four-stroke lead Saturday after the third round of the Canadian Open Golf Tournament.

Price, who has held the lead throughout the tournament, completed the round with 1-over-par 73 and a total of 207, nine shots under par on the Glen Abbey Golf Club course. Jack Nicklaus, the man who designed the course as a permanent site for the Canadian National Championship, shot a 69 and moved into a tie for second at 211 with John Cook (71) and Greg Norman (70).

Mark Pfeil was next with 212 (66) and was followed by Clarence Rose at 213 (72).

Palmer Up by One Stroke in Senior Golf

ROCHESTER, New York (UPI) — Arnold Palmer shot a 2-over-par 72 Saturday to maintain his lead after three rounds of the USGA Senior Open at the Oak Hill Country Club in Rochester.

Palmer, the 1981 champion in the tournament for golfers 50 and over, stands at 214 overall, 4-over-par after a 68 in Friday's second round. Miller Barber shot an even-par 70 Saturday and a 71 Friday and was one stroke back at 215. Bob Goalby, the first-round leader, shot 72 Saturday after a 74 Friday and was third at 216.

Instructor Gives Information on Steroids

LOS ANGELES (LAT) — The coordinator of a U.S. Olympic Committee instructional program for shotputters and throwers of the discus, javelin and hammer said he has been dispensing information to help the athletes beat tests for anabolic steroids.

"This is a way to get as much information as possible to the athletes," said Dr. Paul Ward of Huntington Beach, California, a respected coach in throwing events. "Let them make up their own minds. If they want to [use drugs], then you have to give them the right facts. Truth is truth. For us not to tell it to the athletes is the worst kind of intellectual dishonesty."

Anabolic steroids are synthetic derivatives of the male hormone testosterone and are banned by the International Olympic Committee. Some athletes believe they enhance performance by building muscle.

For the Record

El Gran Senor, cruised to victory in the Irish Sweeps Derby at the Curragh Saturday. The 3-year-old colt, beaten by Secreto in the English Derby a month ago, won by a length from Rainbow Quest, with Dahar third. (AP)

Barcelona has traded Argentine midfielder Diego Maradona to Napoli of Italy for $7.5 million, club officials confirmed Sunday. Maradona, who joined the Barcelona soccer team in July 1982 with a six-year contract for a record $9.2 million, had asked to be transferred, stating that he was very unhappy at Barcelona. (UPI)

England announced it will make a strong bid to host the 1988 European Championship soccer finals. England, which last held a major championship in the 1966 World Cup, originally had bid for the 1990 World Cup but then withdrew to allow a choice between Italy and the Soviet Union. (AP)

Friday's and Saturday's Line Scores

FRIDAY'S RESULTS
American League
First Game

Minnesota 020 021 000—5 12 0
Detroit 003 000 000—3 11 2
Williams, Filson (7), Lysander (7), Davis (9) and Engle; Morris, Bair (6) and Parrish. W—Williams, 3-3. L—Morris, 12-4. HR—Minnesota, David (1).

Second Game

Minnesota 000 311 000—5 9 0
Detroit 220 000 102—7 11 0
Smithson, Whitehouse (2), Lysander (6), Filson (9) and Laudner; Wilcox, Lopez (6), Hernandez (8) and Parrish. W—Hernandez, 4-0. L—Filson, 4-2. HRs—Minnesota, Brunansky (11), Laudner (5). Detroit, Gibson 2 (11), Lemon (11), Jones (6).

Texas 000 202 601 001 0—12 17 1
Cleveland 010 150 040 001 1—13 18 3
Stewart, Henke (5), Jones (8), Tobik (13) and Scott; Blyleven, Waddell (5), Jeffcoat (5), Aponte (6), Camacho (9), Easterly (11) and Willard. W—Easterly, 1-0. L—Tobik, 1-6. HRs—Texas, Bell (6), O'Brien (8). Cleveland, Thornton 2 (18), Hall (2), Willard (5), Hargrove (2).

Seattle 000 001 301—5 9 1
Boston 110 001 000—3 9 0
Vande Berg, Barojas (7) and Nahorodny; Ojeda, Crawford (7) and Allenson. W—Vande Berg, 5-7. L—Ojeda, 6-6. HRs—Seattle, Cowens (8), Presley (1). Boston, Easler (13).

Oakland 000 010 010—2 10 0
Toronto 000 100 000—1 6 1
Burris, Caudill (9) and Heath; Stieb and Martinez. W—Burris, 7-3. L—Stieb, 8-3. HR—Oakland, Heath (5).

California 000 000 000—0 6 1
Milwaukee 000 000 01x—1 5 0
Romanick and Boone; Haas, Fingers (9) and Sundberg. W—Haas, 5-6. L—Romanick, 8-8.

New York 000 000 200—2 6 0
Kansas City 001 011 00x—3 9 0
Niekro and Wynegar; Black, Quisenberry (9) and Slaught. W—Black, 9-5. L—Niekro, 10-4. HR—New York, Dayett (2).

Baltimore 000 100 000—1 3 0
Chicago 010 100 00x—2 6 1
D. Martinez, T. Martinez (7) and Dempsey, Rayford (8); Dotson and Skinner. W—Dotson, 10-4. L—D. Martinez, 1-4. HR—Chicago, Kittle (18).

National League

St. Louis 003 022 000—5 11 0
San Diego 000 000 000—0 2 2
Horton and Porter; Show, Hawkins (7) and Kennedy. W—Horton, 4-1. L—Show, 8-5.

Chicago 000 000 100—1 9 2
Los Angeles 200 230 00x—7 10 0
Sutcliffe, Brusstar (5), Noles (7) and Davis; Hershiser and Scioscia. W—Hershiser, 3-3. L—Sutcliffe, 2-1.

Montreal 003 001 201—7 11 0
Cincinnati 012 000 000—3 5 1
Lea and Carter; Price, Owchinko (3), Scherrer (3), Power (8) and Gulden, Bilardello (8). W—Lea, 12-4. L—Scherrer, 1-1. HRs—Montreal, Wallach (12). Cincinnati, Parker (6).

Houston 001 010 000—2 0 0
Philadelphia 000 601 00x—7 13 0
Knepper, Solano (4), Madden (6) and Ashby, Bailey (4); Carlton, Andersen (9) and Virgil. W—Carlton, 6-4. L—Knepper, 7-8. HRs—Philadelphia, Virgil (11), Wilson (5).

Atlanta 030 200 000—5 15 0
New York 002 010 000—3 6 2
Bedrosian, Moore (8) and Trevino; Lynch, Gaff (4), Gorman (6), Sisk (7) and Fitzgerald. W—Bedrosian, 5-5. L—Lynch, 7-4. HR—New York, Hernandez (6).

SATURDAY'S RESULTS
American League

Oakland 000 010 000—1 7 1
Toronto 301 200 10x—6 7 0
Krueger, Sorensen (4), Conroy (8) and Heath, Tettleton (8); Alexander and Martinez. W—Alexander, 6-4. L—Krueger, 5-4. HR—Toronto, Moseby (12).

New York 010 000 100—2 6 1
Kansas City 010 410 00x—6 10 1
Guidry, Armstrong (6), Rijo (8) and Wynegar; Gubicza and Slaught. W—Gubicza, 5-7. L—Guidry, 6-6. HRs—New York, Kemp (6). Kansas City, Balboni (16), Pryor (2), Davis (1).

Seattle 100 000 100—2 6 0
Boston 010 000 000—1 6 0
Beattie and Kearney; Boyd and Gedman. W—Beattie, 8-7. L—Boyd, 2-6. HR—Seattle, D. Henderson (6).

Texas 101 000 000—2 12 1
Cleveland 000 001 000—1 7 1
Hough and Yost; Comer, Waddell (8) and Willard. W—Hough, 8-6. L—Comer, 1-3.

Minnesota 000 012 000—3 7 1
Detroit 010 100 11x—4 10 0
Schrom, Whitehouse (8), Davis (8) and Engle; Petry, Hernandez (9) and Parrish. W—Petry, 11-3. L—Schrom, 1-3.

California 010 010 000—2 12 1
Milwaukee 000 000 000—0 2 2
Zahn and Narron, Boone (8); Cocanower, Waits (8), Tellmann (8) and Schroeder, Sundberg (7). W—Zahn, 9-4. L—Cocanower, 6-7.

Baltimore 000 300 001 00—4 9 2
Chicago 100 102 000 01—5 9 1
Davis, Underwood (6), Stewart (10) and Rayford; Burns, Reed (7), Jones (11) and Hill, Skinner (7). W—Jones, 1-1. L—Stewart, 4-1.

Atlanta at New York, ppd. for rain.

National League

Pittsburgh 000 004 001—5 0 0
San Francisco 100 030 12x—7 11 1
DeLeon, Krawczyk (5), Guante (7), Scurry (8), Tekulve (9) and Pena; Laskey, Williams (6), Lavelle (8) and Brenly. W—Williams, 4-1. L—Guante, 2-3. HRs—Pittsburgh, Morrison (2). San Francisco, Gladden (2).

Montreal 100 000 000—1 6 1
Cincinnati 102 100 00x—4 8 0
Smith, James (7) and Carter; Soto and Gulden. W—Soto, 9-1. L—Smith, 6-6. HR—Cincinnati, Soto (1).

Houston 030 001 022—7 12 0
Philadelphia 000 000 000—0 6 1
LaCoss, Smith (7) and Bailey; Hudson, Campbell (6), Kern (9) and Virgil. W—LaCoss, 3-0. L—Hudson, 7-6. HR—Houston, Puhl (2).

St. Louis 000 002 002—4 8 1
San Diego 000 000 100—1 6 0
Andujar, Von Ohlen (6), Lahti (7), Sutter (7) and Porter; Lollar, Lefferts (8), DeLeon (9) and Kennedy. W—Andujar, 13-6. L—Lollar, 7-6.

Chicago 030 201 0(7)2—14 20 0
Los Angeles 012 010 000— 6 7 0
Ruthven, Frazier (3), Stoddard (7) and Davis; Welch, Howell (2), Honeycutt (4), Zachry (5), Diaz (9) and Scioscia. W—Frazier, 1-0. L—Howell, 0-1. HR—Chicago, Dernier (2).

Indians Down Rangers In 13-Inning Marathon

Compiled by Our Staff From Dispatches

CLEVELAND — Brook Jacoby hit a line drive through a drawn-in infield with no one out in the bottom of the 13th inning Friday to give the Cleveland Indians a 13-12 victory over the Texas Rangers.

Dave Tobik (1-6) walked Jerry Willard leading off the 13th. Pinch runner Joe Carter went to third when George Vukovich lined a single off Tobik's glove into center field, then Jacoby hit Tobik's next pitch into the hole.

Texas had gone ahead, 12-11, in the top of the 12th. The Indians tied it in the bottom of the inning on Odell Jones's wild pitch.

FRIDAY BASEBALL

Twins 5, Tigers 3
Tigers 7, Twins 5

In Detroit, the Tigers' Jack Morris (12-4) had beaten Minnesota 11 straight times, but lost to the Twins, 5-3, in the first game of a double-header. Kirk Gibson's two homers in the nightcap led Detroit to a 7-5 victory.

White Sox 2, Orioles 1

In Chicago, Baltimore managed only three hits against Richard Dotson of the White Sox and lost, 2-1. Ron Kittle homered for Chicago in the second.

Mariners 5, Red Sox 3

In Boston, Jim Presley hit his first home in the major leagues and Alvin Davis singled home two runs in a three-run seventh as Seattle defeated the Red Sox, 5-3.

A's 2, Blue Jays 1

In Toronto, Joe Morgan had two hits, one of them a single that drove in the leading run in the eighth to give Oakland a 2-1 victory over the Blue Jays.

Brewers 1, Angels 0

In Milwaukee, Rick Manning's single in the eighth drove in the only run the Brewers needed to defeat California, 1-0. Moose Haas and Rollie Fingers combined for the shutout.

Royals 3, Yankees 2

In Kansas City, Missouri, Bud Black yielded three hits over 8⅓ innings and Willie Wilson drove in two runs to give the Royals a 3-2 triumph over New York.

Cardinals 5, Padres 0

In the National League, at San Diego, rookie Ricky Horton, in his fourth major-league start, pitched 7⅔ innings of no-hit ball en route to a two-hitter as St. Louis downed the Padres, 5-0.

Braves 5, Mets 3

In New York, Steve Bedrosian, making his first start of the season after 27 relief appearances, allowed four New York hits over seven innings to lead Atlanta to a 5-3 victory over the Mets.

Phillies 7, Astros 2

In Philadelphia, Glenn Wilson hit a three-run homer and Ozzie Virgil homered with one on in a six-run fourth inning that took the Phillies past Houston, 7-2.

Expos 7, Reds 3

In Cincinnati, Tim Wallach homered and drove in three runs and Charlie Lea pitched a five-hitter, retiring the last 19 Cincinnati batters to give Montreal its 7-3 triumph over the Reds.

Dodgers 7, Cubs 1

In Los Angeles, rookie Orel Hershiser (3-3) allowed nine hits, walked one and struck out eight as the Dodgers defeated Chicago, 7-1.

Giants 3, Pirates 0

In San Francisco, Jeff Robinson's five-hitter was the Giants' first complete-game shutout of the season, a 3-0 defeat of Pittsburgh. *(AP, UPI)*

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SPORTS

The Sound of Silence: Wimbledon's First Week Sees Little Umpire Abuse

Washington Post Service

LONDON — A week has gone by and John McEnroe kindly has neglected to wrap his racket around an umpire's throat. Jimmy Connors has yet to suggest an anatomical impossibility to a linesman.

McEnroe has heaped a litany of abuse on officials over the years: "You are the pits of the world" (Wimbledon, 1981) and "You should be executed" (Davis Cup, 1981) are but two pale examples.

"I guess most people don't think I'm so bad anymore because they finally found something worse than me," said Connors, whose protests have ranged from the sublime to the obscene.

This Wimbledon may be quiet so far, but the ladies and gentlemen in green blazers and ties have keen memories. They recall how McEnroe called an umpire a "moron" at Queen's Club two weeks ago.

Before Wimbledon started, they read the editorials that warned McEnroe and admonished tennis officialdom for being lenient with such a raffish brat.

And they well recall how McEnroe claimed the officiating in tennis is "the worst of any of the sports" and that his form of righteous, whining protest would improve the state of affairs.

"People will thank me, 10 years from now," McEnroe said.

A few umpires Saturday had sharp words on the situation. They are not supposed to talk to the press and many would not, but a few could not resist.

"McEnroe's performance was absolutely disgusting," said one, who asked not to be identified. "There are those of us who were absolutely appalled at that performance at Queen's Club. Of course, it wasn't the first time he'd abused an umpire here."

"You don't show any anger on the outside, but inside you can get angry," said John Linfoot. "You have to sit there and listen to whatever they call you. McEnroe once questioned, in no uncertain terms, the location of my eyes."

"How can [McEnroe] improve the standards?" asked Malcolm Huntington, a senior official who has sat in the umpire's perch a half dozen times for McEnroe. "I'd like to see him get into the chair and give it a try. Somebody has to arbitrate whether a ball is in or if it's out. Occasionally a mistake will be made. But only very occasionally.

"Here you are, watching a ball go more than 100 miles per hour and it's crossing your line of vision in a split second. How many shots are there in a match? Hundreds, I should imagine.

"I umpired the very first match here which used the electronic eye. That was something the players dearly wanted. McEnroe was playing, of course. And within 15 minutes they were complaining about the machine."

Many umpires are troubled that they do not receive proper support from tournament organizers and officials. Umpires are not supposed to allow "ball abuse," verbal or physical abuse and general unsportsmanlike conduct. And yet they have little backing.

At the U.S. Open in 1979, Frank Hammond applied a penalty point and then disqualified Ilie Nastase. But Hammond was overruled by the tournament supervisor and replaced in the chair by the referee, who oversees the umpires. Raul Ramirez was disqualified from a Masters tournament in Houston in 1976. Again, the umpire was overruled and the player reinstated.

Rex Bellamy, veteran tennis writer for The Times of London, recently called for a search party to find Beatrice Seal, the stern umpire who disqualified Pancho Gonzales at Queen's Club 12 years ago.

"There was doubt as to whether this was a disqualification or a retirement, but the principle was the same," Bellamy wrote. "The referee was in charge, not the player."

The umpires here are aware that in nearly every American sport, the players, coaches and managers bark at the officials. They are aware of it, but they will not accept it as part of "the gentleman's game."

Wimbledon umpires do not receive a salary. They get $45 per day for expenses, not nearly enough to cover costs for those who do not live in the London area. They work 90 minutes, then get an hour off.

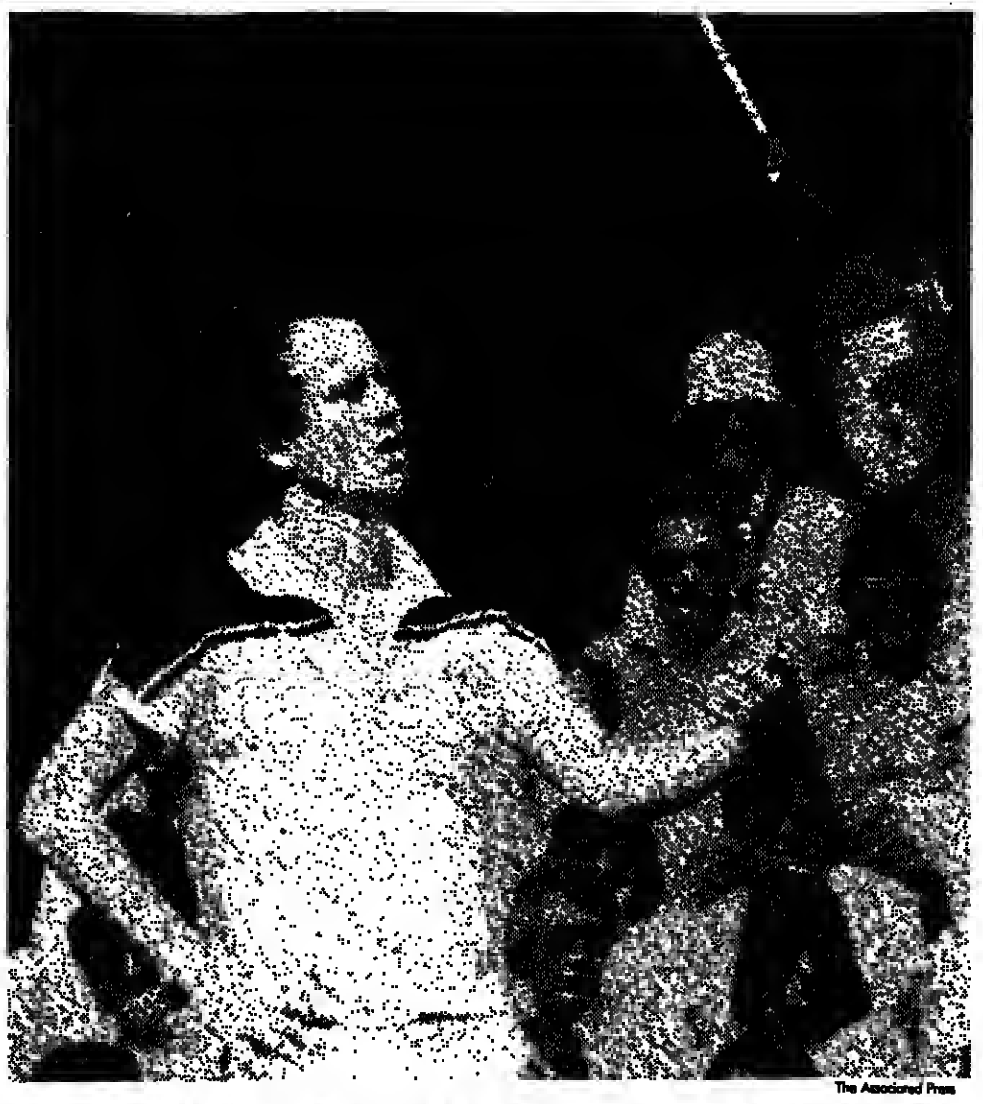
"We do get lunch and tea, of course," said Freddie Sore, an umpire at Wimbledon for 35 years. "And for years, our expenses were absolutely nil.

"The truth is, I would come for nothing. I used to play tournaments and I love the game. In fact, when I used to play there was a clause in every entry form that said every entrant is required to umpire a match every day."

Umpires performances are graded and ranked. But one thing that has changed more severely is the deportment of the players, especially some of the American men.

"It's funny," Freddy Sore said. "I got into a bit of trouble in the '50s when I said I was delighted that the Americans had won the Davis Cup against the Australians. I said the Americans were the greatest sportsmen in the world and the Australians were rather the worst. It caused quite a furor but it was true. At least then it was. Now that's quite funny, isn't it?"

—David Remnick



The Associated Press

John McEnroe juggles his racket during a pause in his three-set defeat of Wally Masur.

Scanlon Will Face McEnroe In 4th-Round Grudge Match

By David Remnick
Washington Post Service

LONDON — Bill Scanlon, who lost narrowly to McEnroe last year at the All-England tennis championships at Wimbledon and then beat him in the fourth round of the U.S. Open, advanced Saturday to the round of 16 at Wilmbledon, in which he will play McEnroe.

Scanlon was leading Boris Becker, 6-2, 2-6, 7-6 (8-6), 2-1, Saturday when Becker tore ligaments in his ankle and had to be carried off the court.

McEnroe, who scored an easy 6-0, 6-4, 6-3 victory over Wally Masur, has a bad history against Scanlon. He has beaten him in nine of 12 matches, but the two players clearly annoy each other. At a match in Tokyo two years ago, McEnroe walked off the court without shaking hands with Scanlon.

"Why do I get under his skin so much? The same reason [the press] gets to him," Scanlon said. "You do get to him. You're hard on him. If you wrote all the lovely things he'd like to read all the time, he'd love you. And if I rolled over for him every time, he'd love me, too.

"He walked off without shaking my hand, sure. But what do I care? Do you think I'm dying to be his friend? It's just one of life's little eccentricities. I don't think he loses control, really. Half the time it's planned, if you notice. He causes more of a scene when he's lost momentum."

McEnroe, for his part, did not remember the incident in Tokyo, although Arthur Ashe and others did. But McEnroe did agree that he and Scanlon are not exactly buddies.

"It's the subtleties he uses that people don't realize," McEnroe said. "It's a general attitude. When you play against me, it's really easy to get the crowd going against me. It's like someone who's a friend on the outside but gives you a stab in the back on the inside."

"It'll be a good test," McEnroe said of Monday's match with Scanlon. "He always plays better against me than against anyone else."

There were no upsets at Wimbledon Saturday as the singles advanced to the round of 16. But in what could best be classified as an upset of sentiment, Britain's Virginia Wade, who beat fifth-seeded

WIMBLEDON TENNIS

Zina Garrison two days earlier, fell to Carina Karlsson, 6-2, 4-6, 11-9.

Wade, 39, who won the tournament in 1977, said she has not decided whether or not to play Wimbledon next year.

"I've played 23 Wimbledons and I've spent the last 10 years saying I don't know the answer to that question," she said. "The answer's still the same. I'm just too tired to think about it."

Sunday is an off day. Both men and women will play the full round on Monday.

Seventeen of the 20 surviving women's champions will be at Centre Court to celebrate the 100th anniversary of the Ladies Championships, as they are still known.

Chris Evert Lloyd beat Annabel Croft Saturday, 6-3, 6-4, and hit the ball harder than she had all week.

Evert's next opponent is Claudia Kohde-Kilsch, who beat Ann Kiyomura-Hayashi, 6-3, 6-1.

In other matches, Jo Durie advanced with a 6-4, 6-2 victory over Kim Steinmetz; Steffi Graf beat Bettina Bunge, 7-5, 6-3; Helena Sukova edged Pam Casale, 7-6 (7-2), 6-7 (2-7), 6-4, and third-seeded Hana Mandlikova beat Catharine Tanvier 6-4, 7-6 (7-4).

Many, including Wade, have picked Mandlikova to be the main threat to Martina Navratilova.

The men's competition continues to be a question of who — other than McEnroe, Jimmy Connors and Ivan Lendl — can show signs of challenging for the title.

So far, the answer is nobody.

Kevin Curren, who learned that his 51-year-old father had died shortly before his match, defeated Ramesh Krishnan, 6-2, 3-6, 7-6 (7-3), 7-6 (7-3).

Curren will play Pat Cash, who has already beaten fourth-seeded Mats Wilander, Saturday. Cash had an easy time with Cassio Motta, 6-1, 6-3, 6-4.

"Cash is Australia's best prospect in a long time," McEnroe said. "He can hit it."

Vitas Gerulaitas continues to play long matches and prevail. He beat Brad Gilbert, 7-6 (7-4), 6-1, 3-6, 6-4. Since losing to Bjorn Borg here in a dramatic semifinal in 1977, Gerulaitas's career has wavered. Though he continues to win, his play is only a shadow of what it was.

Sixth-seeded Andres Gomez advanced with a seemingly endless 6-3, 6-4, 4-6, 1-6, 9-7 match against Guy Forget.

Men's Singles
Third Round

Jimmy Connors (3), U.S., def. Marty Davis, U.S., 6-4, 6-7, (5-7), 6-3, 6-4; Scott Davis, U.S., def. John Lloyd, Britain, 6-4, 6-4, 7-6; Ivan Lendl (2), Czechoslovakia, def. Rolf Gehring, West Germany, 6-4, 6-2, 7-6; John McEnroe (1), U.S., def. Wally Masur, Australia, 6-0, 6-4, 6-3; Bill Scanlon (14), def. Boris Becker, West Germany, 6-2, 2-6, 7-6 (8-6), 1-2 retired; Sadri, U.S., def. Ricardo Acuna, Chile, 7-6, 7-6 (7-5), 7-5; Andres Gomez (6), Ecuador, def. Guy Forget, France, 6-3, 6-4, 4-6, 1-6, 9-7; Terry Moor, U.S., def. Mark Edmondson, Australia, 6-3, 6-4, 3-6, 4-6, 6-2; Vitas Gerulaitis (15), U.S., def. Brad Gilbert, U.S., 7-6 (7-4), 6-1, 3-6, 6-4; Kevin Curren (11), South Africa, def. Ramesh Krishnan, India, 6-2, 3-6, 7-6 (7-3), 7-6 (7-3); Pat Cash, Australia, def. Cassio Motta, 6-1, 6-2, 6-4.

Men's third round complete

Women's Singles
Third Round

Claudia Kohde-Kilsche (12), West Germany, def. Ann Kiyomura-Hayashi, U.S., 6-3, 6-1; Hana Mandlikova (3), Czechoslovakia, def. Catherine Tanvier, 6-4, 7-6 (7-4); Chris Evert Lloyd (2), U.S., def. Annabel Croft, Britain, 6-3, 6-4; Helena Sukova (14), Czechoslovakia, def. Pam Casale, U.S., 7-6 (6-2), 6-7 (2-7), 6-4; Jo Durie 10, Britain, def. Kim Steinmetz, U.S., 6-4, 6-2; Andrea Temesvari, Hungary, def. Sue Leo, Australia, 6-2, 6-2; Steffi Graf, U.S., def. Bettina Bunge, U.S. 7-5, 6-3; Carina Karlsson, Sweden, def. Virginia Wade, Britain, 6-2, 4-6, 11-9.

Women's third round complete

A Woman's Place in Tour de France

By Samuel Abt
International Herald Tribune

ST. DENIS, France — Another Tour de France race, the first for women, began Saturday as Mieke Havik of the Netherlands earned herself a footnote to bicycling history by winning the sprint finish of the opening leg.

"That's something, to be the first winner," said Marianne Martin of the American team, in admiration. She finished third, edged for second by Petra de Bruin, another Dutch rider.

Martin was consoled by the very fact that there is a women's race, and because she was part of it. "You only get one chance to be in the first Tour de France," she said happily before the start of the race. Senta Bauermeister, a Canadian racer, agreed: "It's really historic, just being here."

This sense of history was strong in the field of 36 women divided into 6 teams representing 5 countries. France entered two teams and the United States, Canada, the Netherlands and Britain one each.

The course was modeled on the men's Tour de France, covering part of the same daily stages, roughly the final third over which the men race. Saturday, for example, the men traveled 148 kilometers (about 92 miles) through the grimy northeastern suburbs of Paris while the women traveled 64 kilometers.

International cycling rules limit women amateurs — there are no professionals — to 76 kilometers a day.

In all, the women will race 991 kilometers, an average of 55 kilometers a day, before finishing July 22 on the Champs-Élysées in Paris. The men will finish the same day, after covering nearly 4,019 kilometers.

Although the general course is the same, the women will be excused from climbing the highest mountains, getting instead five days off to the men's one. They are also competing for much smaller prizes, 100,000 francs (about $11,750) for the women compared with a total 15 times that for the men.

"It's going to be fabulous," proclaimed Corinne Legal of the French team.

One of the American riders, Betsy King, 32, became well-known in France after she completed the arduous Bordeaux-Paris race a month ago, finishing the 586 kilometers in 16 hours 11 minutes and proving that a woman could match the men in endurance.

In a training run Thursday she cut her left knee badly, and her doctors considered it doubtful that she could race in the women's Tour de France.

She entered anyway, heavily bandaged from mid-thigh to mid-calf.

"It's bad, but I wasn't about to miss this," King explained.

The women were loudly cheered Saturday by tens of thousands lining the course, as were the men a few hours later. There was, however, at least one jeer, sounded by Jacques Anquetil, five times a winner of the Tour de France during the 1960s and now a newspaper columnist during the race.

"I have absolutely nothing against women's sports, but I find that cycling is far too difficult for a woman," he wrote in the Saturday edition of the sports newspaper L'Équipe. "They're not made for the sport. I prefer to see women in a short white skirt rather than racing shorts. In fact, I like women a lot and am really sorry to see them suffer. On a bicycle, there's always a lot of suffering."

Asked for comment, several of the women riders merely rolled their eyes.

Madiot of France Wins 2d Leg

United Press International

LOUVROIL, France — Marc Madiot of France won the second stage of the Tour de France bicycling race, covering the 249 kilometers (150 iles from Bobigny in seven hoursn 31 seconds.

Kim Andersen of Denmark finished second, two seconds behind the winner, followed by Stephen Roche of Ireland and Rudy Rogiers at three seconds.

Jacques Hanegraaf of the Netherlands captured the overall lead, outpacing by one second his teammate Adri Van Der Poel. Belgium's Ludo Peeters, Saturday's overall leader, fell to third place in the standings.

Frank Hoste of Belgium, who won Saturday's first stage, from Bondy to Saint-Denis, came in ninth in Sunday's leg.

On Monday the competitors will race in two stages. In the morning, the cyclists will make a 51-kilometer team time- trial race from Louvroil to Valenciennes. In the afternonn they will complete the fourth stage, an 83-kilometer run from Valenciennes to Bethune.

The Associated Press

Havik Nieke capturing the first women's yellow jersey.

Giants Rise From Cellar With Defeat of Pirates

United Press International

SAN FRANCISCO — Al Oliver's seventh-inning single scored Dan Gladden from second base with the go-ahead run Saturday to give the San Francisco Giants a 7-5 victory over the Pittsburgh Pirates.

It was the Giants' fourth straight victory and their third straight over the Pirates. The Pirates replaced the Giants with the worst record in baseball, suffering their fifth straight loss. Rookie Frank Williams (6-1), pitched two innings of relief for the victory, and Gary Lavelle went the last two innings for his eighth save. Cecilo Guante (2-3) was the loser.

SATURDAY BASEBALL

San Francisco took a 1-0 lead in the first off Pittsburgh's starter, Jose DeLeon. Gladden singled, stole second and scored on a single by Jeff Leonard.

The Giants scored three runs in the fifth. Starter Bill Laskey drew a walk and Gladden followed with his second home run in two days. Johnnie LeMaster doubled and scored on a single by Leonard to make the score 4-0.

Pittsburgh tied the score with four runs in the sixth. Lee Mazzilli and Bill Madlock walked and Jason Thompson singled to load the bases. Williams replaced Laskey and Tony Pena hit into a force play, allowing Mazzilli to score and putting runners on first and second. Lee Lacy forced Pena at second and Jim Morrison then hit a three-run homer, his second homer of the year.

With one out in the seventh, Gladden walked, stole second and scored on Oliver's single up the middle. The Giants added a pair of insurance runs in the eighth on pinch hitter Chili Davis's two-run single.

Pittsburgh added a run in the ninth on Amos Otis's infield out.

Astros 7, Phillies 0

In Philadelphia, Mike LaCoss (3-0) drove in a run with a sacrifice fly and blanked the Phillies for six innings to lead Houston to a 7-0 shutout. Dave Smith finished and earned his third save. The Phillies' starter, Charles Hudson dropped to 6-7. Terry Puhl hit his second homer of the season for Houston.

Reds 4, Expos 1

In Cincinnati, Mario Soto hit his first major-league home run and pitched a four-hitter, pacing the Reds' 4-1 triumph over Montreal. Soto (9-1) with seven complete games, struck out seven and walked four to win his eighth straight game. Montreal's starter, Bryn Smith (6-6), took the loss.

Cardinals 4, Padres 1

In San Diego, Joaquin Andujar won his 13th game, the leader for the major leagues, lifting St. Louis past the Padres, 4-1. Andujar left the game with one out in the bottom of the sixth when he aggravated a sore right hamstring muscle. Tim Lollar fell to 7-6.

Cubs 14, Dodgers 4

In Los Angeles, Bob Dernier paced a 20-hit attack with a homer and three singles, as Chicago overwhelmed the Dodgers, 14-4. Ryne Sandberg collected four hits and an RBI and Jay Johnstone had three hits and an RBI to help Chicago ride into a first-place tie with Philadelphia in the National League East. Reliever George Frazier (1-0) was the winner. Tim Stoddard finished for his fourth save.

Royals 6, Yankees 2

In the American League, in Kansas City, Missouri, Greg Pryor cracked a three-run homer and Steve Balboni and Butch Davis also homered to give the Royals a 6-2 victory over New York.

Blue Jays 6, A's 1

In Toronto, Tony Fernandez drove in a pair of runs and Doyle Alexander tossed a seven-hitter to lead the Blue Jays past Oakland, 6-1. Alexander (6-4) struck out six and walked two in his second complete game.

Mariners 2, Red Sox 1

In Boston, Dave Henderson's home run in the seventh inning snapped a 1-1 tie and Seattle held on to defeat the Red Sox, 2-1. Seattle's Jim Beattie (8-7) won his fourth consecutive start.

White Sox 5, Orioles 4

In Chicago, Vance Law belted his 11th homer of the year with one out in the bottom of the 11th to give the White Sox a 5-4 victory over the Orioles. Al Jones (1-1) pitched one inning of relief for the victory.

Rangers 2, Indians 1

In Cleveland, Larry Parrish drove in two runs with a pair of singles and Charlie Hough pitched his sixth complete game in his last eight starts as Texas edged the Indians, 2-1.

Tigers 4, Twins 3

In Detroit, Larry Herndon scored from third base on Ron Davis's wild pitch in the bottom of the eighth, lifting the Tigers over Minnesota, 4-3.

Angels 2, Brewers 0

In Milwaukee, Geoff Zohn pitched a three-hitter and Dick Schofield and Reggie Jackson each drove in a run for California's 2-1 victory over the Brewers. Zahn (9-4) struck out six and walked three in pitching his third shotout of the year.

Major League Standings

AMERICAN LEAGUE

EAST	W	L	Pct	GB
Detroit	55	21	.724	—
Toronto	45	31	.592	10
Baltimore	42	35	.545	13½
Boston	36	40	.474	19
Milwaukee	34	42	.447	21
New York	33	41	.446	21
Cleveland	31	42	.425	22½
WEST				
California	41	37	.526	—
Chicago	37	39	.487	3
Minnesota	37	39	.487	3
Oakland	38	41	.481	3½
Seattle	37	42	.468	4½
Kansas City	33	40	.452	5½
Texas	35	44	.443	6½

NATIONAL LEAGUE

EAST	W	L	Pct.	GB
Chicago	42	34	.553	—
Philadelphia	42	34	.553	—
New York	38	33	.535	1½
Montreal	37	38	.493	4½
St. Louis	38	40	.487	5
Pittsburgh	30	46	.395	12
WEST				
San Diego	44	31	.587	—
Atlanta	43	35	.551	2½
Los Angeles	41	39	.513	5½
Houston	37	41	.474	8½
Cincinnati	36	42	.462	9½
San Francisco	30	45	.400	14

Record Set In Henley's Main Event

New York Times Service

HENLEY-ON-THAMES, England — A course record was set Saturday in the Henley Royal Regatta's premiere event, the Grand Challenge Cup, by Britain's 1984 Olympic crew, rowing under the combined colors of Leander and London Rowing Clubs.

It lowered the mark set in 1975 by 3 seconds to the new standard 6:10 in defeating the University of Pennsylvania varsity heavyweight crew in a verdict of "easily," which in Henley terminology means by more than five boat lengths.

Harvard University's freshman heavyweight lost their heat of the Thames Challenge Cup to a more experienced crew from England's famed Leander Club. Harvard took a measure of satisfaction in the result, pressing Leander to a Thames Challenge Cup course record of 6:18, a full 7 seconds off the previous mark.

Temple University's heavyweight crew defeated Yale University's varsity lightweight. The victory by the Philadelphia college was by one-half boat length over the course in the time of six minutes 32 seconds.

Temple, a relative newcomer to the sport but making its second Henley appearance in two years, thus advanced to the semifinals of the Ladies Challenge Plate, along with two other U.S. teams, Princeton and Brown.

The Temple oarsmen were behind Yale halfway through their race. But Temple hided its time, under-stroking while steadily reducing the Eli boat length lead.

United Press International

Garcia Lane of the Philadelphia Stars being lifted by his teammates after he ran a punt return all the way for touchdown in the Stars' 28-7 defeat of the New Jersey Generals.

Express, Stars Triumph In USFL Playoff Games

United Press International

LOS ANGELES — Mel Gray romped 24 yards into the end zone 3:33 into the third overtime period Saturday, giving the Los Angeles Express a 27-21 victory over the defending champion Michigan Panthers in the United States Football League playoffs.

The Express will play the winner of Sunday's Houston-Arizona game next Saturday in the Western Conference final.

In an Eastern Conference playoff game, the Philadelphia Stars avenged their only two regular season losses with a 28-7 rout of the New Jersey Generals. The Stars, who lost to Michigan in last year's championship game, will be the host to the winner of Sunday's Birmingham-Tampa Bay game next Sunday for the conference title.

The USFL championship game, the league's second, will be July 15 at Tampa, Florida.

In the Los Angeles playoffs, the Panthers' Novo Bojovic missed field-goal tries of 37 and 36 yards earlier in overtime.

The Express started the winning drive on their own 25. Steve Young hit JoJo Townsell on a 19-yard pass, and two plays later Townsell caught a 28-yard pass to bring the ball to the Michigan 26. Two plays after that, Gray broke a tackle down near the 5 and and lunged into the end zone.

Gray finished with 124 yards on 31 carries and Young completed 23 of 44 passes for 295 yards and was intercepted twice.

Michigan led 14-10 at halftime on a 3-yard TD run by Cleo Miller and a 22-yard scoring strike from Bob Hebert to Ken Lacy. Lacy's TD came with 1:19 left in the half.

The Express scored on two TD runs by Kevin Nelson and field goals of 32 and 34 yards by Tony Zendejas.

Los Angeles sent the game into overtime on Nelson's 1-yard run and Young's two-point conversion run with 55 seconds left in the fourth quarter.

In Philadelphia, Kelvin Bryant rushed for 117 yards in 23 carries and scored three touchdowns, and Garcia Lane returned a punt 70 yards for another score to lift the Stars.

Bryant scored two touchdowns, one on a 10-yard run and the other on an 11-yard pass from Chuck Fusina, in the Stars' 21-point second quarter. He added a 1-yard touchdown run in the fourth quarter to cap a 75-yard, 20-play drive that took nearly 11 minutes and iced the game.

Lane's punt return came 84 seconds after Bryant's first touchdown and enabled the Stars to take a quick 14-0 lead after a scoreless first quarter at Franklin Field.

CFL Standings

Eastern Division	W	L	T	PF	PA	Pts
Hamilton	1	0	0	49	31	2
Toronto	0	0	0	0	0	0
Ottawa	0	1	0	31	32	0
Montreal	0	1	0	31	49	0
Western Division						
Calgary	1	0	0	24	17	2
Edmonton	1	0	0	32	31	2
Brit Clmb	0	0	0	0	0	0
Saskatchwn	0	0	0	0	0	0
Winnipeg	0	1	0	17	24	0

Friday's Result
Calgary 24, Winnipeg 17
Saturday's Results
Hamilton 49, Montreal 31
Edmonton 32, Ottawa 31

How Soviet Secret Was Finally Pierced

By William J. Broad
New York Times Service

ABOUT three years ago a kind of obsession began to take hold of Mark M. Kuchment, a 48-year-old science historian who emigrated from the Soviet Union to the United States in 1975.

While interviewing Soviet émigrés for a Harvard University research project, Kuchment kept hearing stories of an American engineer who had achieved dazzling success in the secret world of Soviet military research.

How could that be?

Kuchment set out to find the answer. In doing so he would ultimately solve a mystery of science and international intrigue that had baffled scholars and U.S. federal agents for a third of a century.

The tale pieced together by Kuchment revealed that Filipp Georgievich Staros, a high official in the closed world of Soviet military research, and Alfred Sarant, an American engineer who fled from the United States after the 1950 arrest of a close friend, Julius Rosenberg, were one and the same.

Kuchment, who teaches at Boston University and is a fellow at the Russian Research Center at Harvard, said his inquiry shed little light on the debate over the guilt or innocence of Julius and Ethel Rosenberg, who were convicted of passing U.S. atomic bomb secrets to the Soviet Union and executed in 1953.

However, he thinks his research does reveal much about Soviet technology, about the flexibility of Soviet officials in exploiting the skills of a foreigner and about the mentality and motives of a defector who took up life in the Soviet Union.

"It's a strange and interesting story," said David Holloway, an expert at Stanford University on the Soviet military, as he reflected on how an American could become so well entrenched in the Soviet military. "As far as I know the case is unique — somebody coming from abroad and not only getting an important research post in the Soviet Union but a military one as well."

The man described to Kuchment by émigrés as an American was the chief designer at a military research laboratory in Leningrad and was the driving force behind the establishment in the Soviet Union of the microelectronics field, the transition from bulky tubes to transistors and silicon chips for computers.

The name of the mysterious innovator was said to be Filipp Georgievich Staros.

"I was amazed that an American had made it in the military, and I thought it would be a difficult story to confirm," Kuchment recalled. But the historian soon came across a significant fact: Staros had won the Soviet state prize, so there was a public record on him.

He found a biographical sketch in a Soviet yearbook. He also learned that Staros had died in 1979 and found an obituary in Izvestia that hailed his research as brilliant.

Some of the information was impossible to confirm. It was said, for instance, that Staros had graduated from the University of Toronto, but the registrar's office there had no record of such a person.

Who was the person behind the false identity? "He was probably a foreigner," Kuchment recalled. "And there were other clues. The name Staros sounds Greek, so I assumed he was a Greek American."

The breakthrough came after nearly two years of interviewing and research, and after Kuchment had almost given up hope.

"I had gathered many little facts on his life in the Soviet Union — that Staros was married to an American woman, for example, and that they had arrived from Czechoslovakia after spending some years there."

"The insight came in the summer of 1983. I had to go to Europe on business and I decided I would try to meet with some emigrants from Czechoslovakia so I would have a better understanding of where the Americans had come from. They didn't know a thing.

"I came back quite exhausted and I decided to relax and read the latest issue of The New York Review of Books. And suddenly there it was. I read a review of a book about the Rosenbergs that said it didn't pay much attention to people who were friends of the Rosenbergs who had probably disappeared behind the Iron Curtain.

"It was 9 o'clock in the evening and I immediately ran off to Harvard Square because our bookstores are open quite late. I realized that even though they didn't mention much in the book it was going to be good enough for me.

"Immediately I found my guy — Alfred Sarant, which sounded like a contraction of a Greek name," he said. "All the pieces started to fall into place."

Nick Freedman/The New York Times

Kuchment pieced together story of dual identity.

In 1950 Sarant was a 32-year-old electronics engineer who had worked at Cornell University in Ithaca, New York, on the construction of a cyclotron. In the early 1940s he had been a member of the U.S. Communist Party.

According to the book, "Invitation to an Inquest," FBI agents went to Ithaca to see Sarant on July 18, 1950 — a day after Rosenberg's arrest on espionage charges — and accused Sarant of keeping an apartment at 65 Morton Street in New York City for espionage purposes.

Sarant claimed innocence. Not long afterward, using false identification, he and Carol Dayton, the wife of a neighbor in Ithaca, fled to Mexico.

Relatives and U.S. authorities never heard from them again.

The problem was proving that Sarant had taken a new identity. "There is a simple way," Kuchment said. "You get his photograph and show it to two sets of people."

Kuchment managed to get a photo of Alfred Sarant from the engineer's sister in the United States, who said the family was indeed of Greek descent. He took the snapshot to Philip Morrison, who had worked at Cornell and who said it clearly showed his neighbor, Alfred Sarant, in the 1950s.

Next, he took it to one of the Soviet émigrés who had worked for Staros in the Soviet Union.

"He looked at it for a long time," Kuchment recalled, "and then he said, 'Could I draw a slight mustache?' We did and he smiled and said, 'Yes, that's Staros.'

"Of course, a photograph is not an absolute piece of evidence," Kuchment added. "You have to have other things. For example, the Russian patronymic of Staros means son of George and indeed the name of Sarant's father was George. And Staros always claimed he had four brothers. And, yes, Sarant had four brothers."

Kuchment also gathered evidence showing that Staros's best friend and right-hand man in the Soviet Union had been Joel Barr, another Rosenberg associate who in 1948 had left the United States.

Kuchment has no doubt whatever about the real identity of the mysterious Soviet researcher. Although he has published his thesis, the Soviet Union has not, to his knowledge, responded.

Photograph used to identify Filipp Georgievich Staros.

Was Sarant a spy for the Soviet Union while in the United States? And, if so, does the episode cast light on the case of the Rosenbergs?

To both questions Kuchment answers with a tentative no, although he says new evidence could change his conclusion.

Sarant's field in the Soviet Union did not exist at the time he fled. What he took to the Soviet Union, Kuchment says, were superior skills, his American background and a knack for teamwork.

Sarant clearly was quite successful. By 1964 his institute had about 800 employees, according to Kuchment's sources. Although the military side of Sarant's career is wrapped in secrecy, he also designed civilian computers that achieved wide Soviet acclaim, such as the UM-1-NKh and the Electronica K-200, according to Kuchment. Researchers at the Rand Corp. at the time called these Soviet machines "surprisingly up-to-date."

According to Kuchment, Sarant's rise in a secret area of research also casts light on the Soviet bureaucracy.

"It shows the Soviets can have enormous flexibility when a project is sufficiently high on their list of priorities," he said. "Sarant was clearly a security risk. But ultimately they cared only about his work, not his background. And this decision could be made only by very high officials in the Soviet Union."

Indeed, according to Kuchment's sources, Sarant knew Dmitri F. Ustinov, now the Soviet defense minister, as well as Nikita S. Khrushchev, who is said to have visited the research institute.

The episode is also revealing of the Soviet system, said Kuchment, because Sarant, despite his achievements, ultimately ran afoul of the bureaucracy and was demoted to a minor post in Vladivostok.

The problem appeared to be that he hired on the basis of merit rather than party loyalty, and his employees included Jews and nonparty members. This, Kuchment said, infuriated party officials.

Another possible factor in his downfall, said Kuchment, was détente and the sudden availability in the 1970s of computers from the West.

The saga of Alfred Sarant is far from complete. "Why did he get so disappointed in the American system?" Kuchment asked. "Maybe he was just driven out because of unfortunate circumstances. But there also was something else in American life at that time, some kind of ideological vacuum. How could such a bright guy turn to such a primitive theory as Marxism? For me, that's a very substantial question."

Kuchment says it is especially important given the difficulties that Sarant experienced late in his Soviet career.

"He was a very cautious and very reserved man," said Kuchment, who speaks of Sarant the way he might recall an old friend. "He didn't speak that much on political issues. He was very unhappy, very frustrated, especially in the last period of his life. He was appalled by Soviet anti-Semitism.

"The image I am getting is of an idealistic Communist who was terribly disappointed in the social realities of the Soviet Union. But it was too late. There was no way to back out."

INDIANOLA POSTCARD

Staging 'Aida' in Iowa

By David Tomlin
The Associated Press

INDIANOLA, Iowa — These things may be commonplace in New York or Chicago, but central Iowa has never seen the likes of what Douglas Duncan and the Des Moines Metro Opera have laid on for this month. On July 6, a gaudy caravan of 30 ancient Egyptian soldiers, 50 peasants, 40 Ethiopian captives, 35 priests and a dozen muscle-bound bearers, together with an elephant, two zebras, a brace of camels and maybe a Bengal tiger will troop onto the Des Moines Civic Center stage.

Only the tiger is a doubtful starter as the oversized troupe prepares to stage "Aida," by far its most ambitious production.

The opera is making a determined bid to win respect in the Midwestern cornfields for a company that has already won a modest spot on the national opera map.

"Just 10 minutes ago I got a call from the animal trainer asking if he can substitute a grizzly bear because the tiger is acting a little skittish around people," said Duncan, the opera's managing director.

"I don't know if grizzlies lived in Ethiopia," he mused. "But on the other hand, why would anybody be bringing captured camels to Egypt either?"

That was typical of a host of puzzles Duncan is having to unravel in order to mount the opera's first production outside its home stage, the 500-seat Blank Performing Arts Center at Simpson College 15 miles south of Des Moines.

For example, the show had only a handful of bearers and soldiers until Duncan advertised locally for weight lifters and other body cultists who wanted to appear in loincloths before an audience of 2,750.

"Wimps need not apply," the ad said. Duncan put a soft-voiced operator to work taking waist and bicep measurements over the phone, and the cast is now amply stocked with glistening beefcake.

But all that skin requires plenty of makeup. "I got a bill for $480 just for body makeup to make these guys brown," Duncan said.

The animals alone will cost $6,250 out of a total production cost approaching $300,000, more than half the opera's annual budget.

Bob Hale of the 5-H Ranch in Cape Girardeau, Missouri, is the beastmaster, and his price includes trained handlers with "a theatrical way of making sure the animals don't do anything disgusting on stage."

All the same, the company has upped its liability insurance from $2 million to $5 million. And Duncan said his backstage conducter was "neurotic as heck about having all those animals back there. He wants a gun, and I think he's serious."

For Duncan, problems on this scale are a far cry from the opera company's birth 12 years ago, when he and artistic director Robert Larsen struggled to stretch a $20,000 budget into eight performances.

Now the company boasts 15 soloists, 40 apprentice singers, a 45-piece orchestra, a dozen coaches and directors and its own technical crew. Guest stars have told Duncan that only St. Louis and Santa Fe, New Mexico, have regional operas that rival that of Des Moines.

But most of the performers come from out of state, and Duncan said the company is far better known in New York than in Iowa. He and Larsen are hoping "Aida" will expand their local audience and at the same time make fund raising possible at the national level.

So far, it looks promising. Both 2,750-seat performances on July 6 and July 8 are close to being sold out. If the scenery arrives on time from San Diego, if the costumes from Toronto fit and if the animals don't stampede in tight backstage quarters, Duncan looks for a big success.

In many ways, "Aida" was the perfect vehicle. Larsen and Duncan chose it for its lavish spectacle, its familiarity to non-opera goers and its crowd-pleasing plot, dripping with violence, betrayal and star-crossed love.

"Operas have the greatest stories, some of the trashiest stories anywhere," Duncan said. "They sometimes make soap operas seem like fine novels."

William Safire is on vacation and will resume his language column when he returns.

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